Industrial Distribution

February 1982

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Hotline:
Traditional sales role
imperiled by recession

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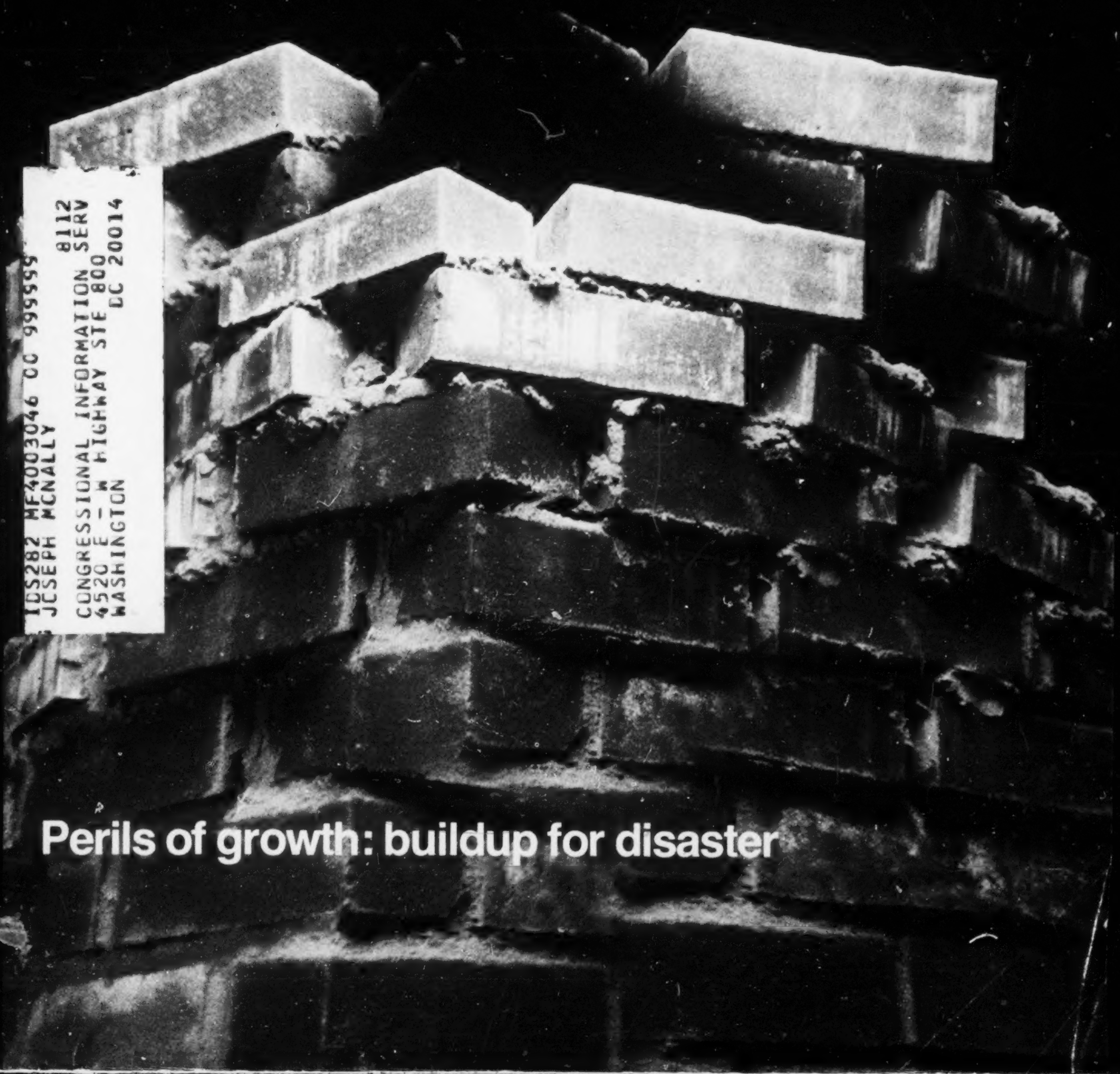

Perils of growth: buildup for disaster

Industrial Distribution

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Contents

February, 1982
Vol. 72, No. 2/72nd year
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Industry News

5 Credit managers spurring a crackdown on late payers; Recession deepened in December, NAPM says; Study says veteran sales reps make $30,000 on average; Construction equipment sales down 2% in '81; Dodge *Index* draws bleak map for construction in early 1982; Acquisitions; Sands of time; NIDA/SIDA survey shows pay scales among distributors; Union Camp Corp. sells Moore-Handley units; Seminars; Porter-Cable comes back after 22 years, with new management; Spencer tapped as B&D air tool VP; Roger Gaw joins ***ID*** as first full-time west coast sales rep; Top exec changes at Harry Lee & Sons.

Cover Story

35 **Perils of Growth**
With planning based on realities of the economy and the marketplace, any distributor can launch his own business into an orbit that assures growth, stability and profit.

Feature Articles

41 **Hotline/Traditional sales role imperiled by recession**
Distributors are taking a beating from economic downturn and surging costs. With no relief expected, they've turned their eyes toward cutting the expense of sales and deeper penetration by specialists.

43 **How to sell...Portable air tools**

49 **Strictly for salesmen...Do-it-yourself retirement**
If you really don't want to rely on the Government for your lifestyle after 65, an IRA could mean the difference between splashing at the shore on weekends and barely keeping your head above water.

50 **How to choose and work with consultants**
Out there are thousands of specialists eager to help. Your first and toughest problem is finding the right one.

55 **Computer Update**

59 **Capsule sales concept/Fair exchange**

Marketing/Operations Ideas

61 Distributor blankets consumer market with radio promotion; 1000th grad grades supplier school A-plus; Thinking of board of directors? Think big!; Silent chain data can be vocal sales builder; How to add clout to your sales letters; How you can start on a pension plan now; Carousel rack offers library at fingertips; Custom watches boost employee recognition; Free cameras offered to distributors; New books; Updated guide to NAW businessmen's library; Upward mobility makes optimal use of space; 13 free tips on how to hold market share; Two A/V shows on chemical products.

Departments

9 Reader Service Card
23 Distributor Dates
25 Washington Report
29 Readers Write
31 Regional Report
33 Like It or Not
69 We Were There
71 New Products
78 In Print
83 Reader Service Card
86 Appointments
90 Classified Advertising
91 Advertisers' Index
92 Talk of the Trade

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Study says veteran sales reps make $30,000 + on average

CHICAGO—The Dartnell Institute of Financial Research has found that an average experienced sales representative earned $30,444 in 1981, a 12.8% increase from two years before. Semi-experienced sales reps made an average $23,807, an 11.2% increase from 1979 levels, and the average trainee pulled down $18,131 last year, up a hefty 20.6% in the same period.

The figures were part of Dartnell's *Survey of Sales Force Compensation*, which is made every two years; this was the 21st such report. More than 330 companies with an aggregate 16,000 sales reps took part in the study, which covers the U.S. and Canada.

Other findings of the survey indicate that sales call costs continue to rise: The average cost now stands at almost $107, up 23% from 1979. The average cost of training a sales rep was put at $12,633. It was also found that women now constitute 7.3% of the industrial sales force.

The table at right shows the average salary of an experienced rep over the past decade. □

1981	$30,444
1979	$27,000
1977	$24,500
1975	$20,440
1973	$18,283
1971	$14,596

Source: Dartnell Institute of Business Research

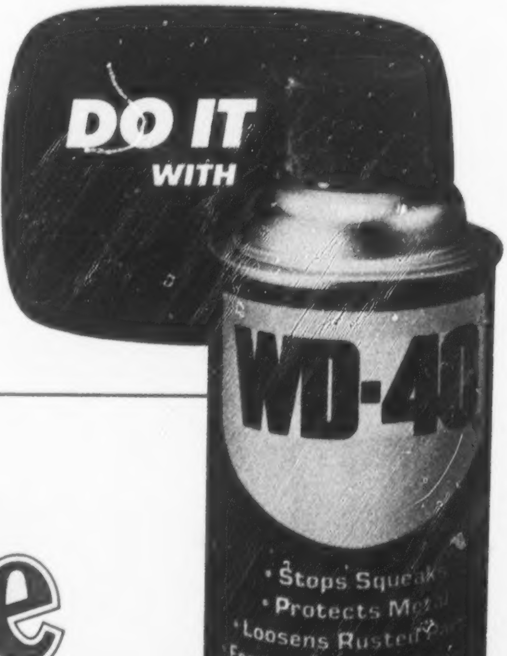
Construction equipment sales down 2% in '81; midwest suffers most

OAK BROOK, ILL.—1981 sales of construction equipment were down 2% from 1980 levels, equalling a 13% drop after inflation, according to a survey conducted by the Associated Equipment Distributors.

Hardest hit were distributors in Illinois, Michigan and Wisconsin, who finished the year with an 18.2% loss in sales from the year before. The biggest winners in the survey were Texas and Oklahoma distributors, who racked up 10% sales gains in 1981. Distributors in Colorado, Utah and New Mexico posted 5% gains, while those in the southeast equalled their 1980 performances. However, distributors in the rest of the country showed losses last year as compared with 1980. Those losses applied to most distributors of construction equipment in the U.S.

AED President Richard F. Mason says that the lost business can be blamed on high interest rates, which have been working to depress the construction market. Mason says that, in 1981, "high interest rates acted as a kink in the chain that leads from the construction buyer to the contractor, and on

[continued on page 12]



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Circle 8

Sands of time

Retired: C. Clyde Owens, executive vice president and general manager of Charleston Supply Co. and its Southern Mill Supply Division, Charleston, S.C. Owens had been with the firm since 1939. He has been succeeded as general manager by G. Fred Rast.

Died: Gordon Frank, national sales manager of WD-40 Co., San Diego, Calif. While Frank had been based in San Diego for the past two of his eight years with WD-40, his sales management career largely centered in the Chicago area, where he worked for 23 years for such firms as WD-40, Panasonic, and Squibb. He is survived by his widow, Marie, three children and two grandchildren.

Died: Paul W. Stiegler Sr., chairman of the board and chief executive officer of the R.H. Buhrke Division of Klein Tools, Inc., Ft. Smith, Ark. He had been with Buhrke since 1952, rising in 1981 to the position he held at the time of his death. He leaves behind his wife, Dorothy, five children and 12 grandchildren. He has been succeeded as chief executive officer by his son, Paul Jr., and Robert Klein has been named as chief operations officer.□

NIDA/SIDA survey shows pay scales among distributors

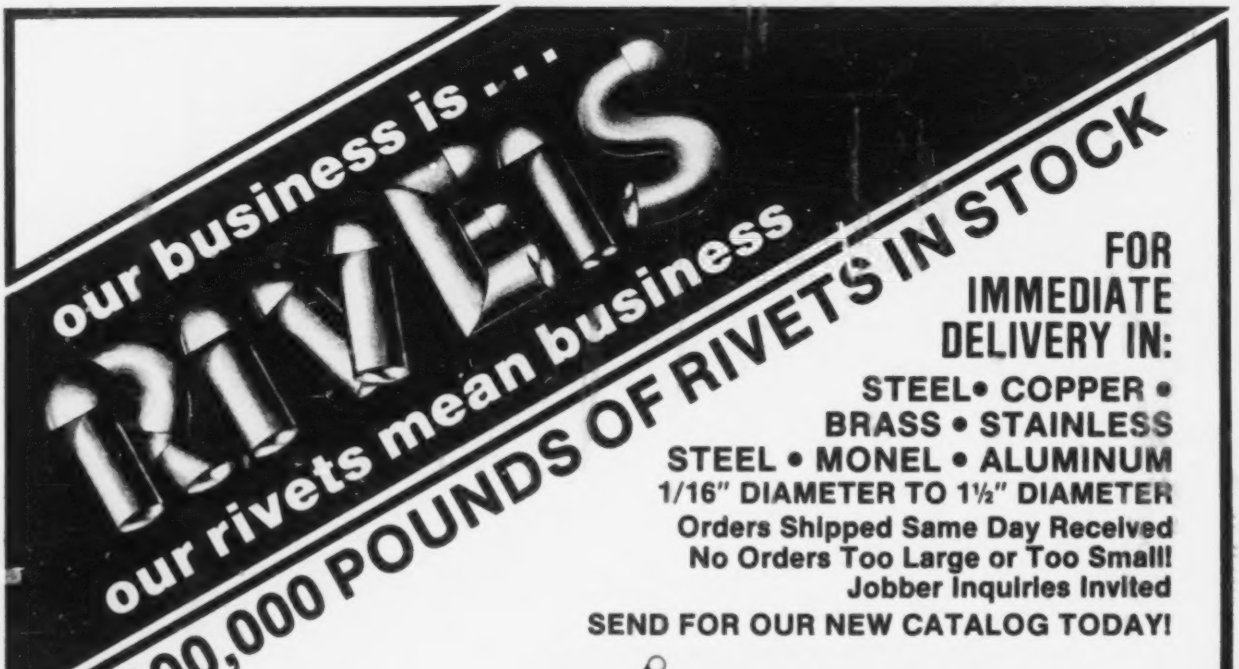
ATLANTA—The Personnel Management Committee of the National Industrial Distributors Assn. and the Southern Industrial Distributors Assn. has released the summary results of its *Survey of 1980 Compensation and Compensation Practices for Inside and Outside Sales Personnel*.

NIDA/SIDA member firms were invited last July to participate in the survey. The goal of the effort, according to the committee, is to provide members with usable information about current pay practices among industrial distributors so that a distributor can see if his own pay scales are competitive.

Four types of sales positions were defined for the survey. Outside sales personnel

Percentile	Outside sales	Category A	Category B	Category C
10th	$15,434	$10,974	$10,989	$ 9,999
20th	18,323	12,258	12,603	11,521
30th	20,300	13,342	13,719	12,472
40th	22,000	14,520	14,703	13,644
50th (Median)	24,050	15,300	15,586	14,700
60th	26,627	16,954	16,823	15,266
70th	30,000	17,935	18,299	16,655
80th	33,615	18,813	20,299	17,640
90th	43,322	22,338	22,571	18,512
Lowest	$ 7,161	$ 9,336	$ 6,980	$ 7,180
Average	27,412	16,226	16,513	14,556
Highest	102,589	39,370	54,845	30,772

Source: NIDA/SIDA Personnel Management Committee



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Circle 13

Union Camp Corp. sells Moore-Handley units

WAYNE, N.J.—Union Camp Corp. is selling the wholesale hardware, industrial supply and machine tool divisions of its wholly owned subsidiary, Moore-Handley, Inc., to a private investor group led by William Riley and Pierce E. Marks Jr. The purchase is to be completed this month. The new owners will keep the Moore-Handley name; the firm will continue to operate out of Pelham, Ala.

The purchase agreement does not affect Moore-Handley's Homecrafters centers, which sell building materials to contractors and others in the southeast. These will remain with Union Camp. ☐

Seminars

■ **The Society of Manufacturing Engineers** and the Computer and Automated Systems Assn. of SME will present "An Introduction to Numerical Control" Feb. 17-18 at the Hyatt Regency Hotel in Dearborn, Mich. Registration fees are $310 for SME, CASA/SME and affiliate members, and $360 for non-members. Contact Dave Johnson at (313) 271-1500.

■ **The Specialty Tools & Fasteners** Distributors Assn. presents "The Totally Effective Salesman" in a series of one-day seminars held in various cities throughout the U.S. from now through Apr. 2. Tuition is $70. Contact STAFDA at (414) 784-4774.

■ A three-day workshop on "Inside Sales—The Competitive Edge" will be held by the **National Industrial Distributors Assn. and the Southern Industrial Distributors Assn.** in Dallas, Mar. 1-3; Atlanta, Apr. 26-28; Philadelphia, May 17-19; and Chicago, Sept. 20-22. The workshop fee is $295 per member ($250 for each additional attendee after the first) and $425 for non-members, with no discount. Contact the NIDA/SIDA Sales & Marketing Committee at (404) 325-2776.

■ **The NIDA/SIDA Sales & Marketing Committee** has also scheduled twinned seminars on "Developing a Professional Sales Force" and "Making Every Sales Call Count." These will be held in several cities from February through April. For more information, call the committee at (404) 325-2776.

Pay scales survey . . .

[continued from page 14]

were defined as travelling salesmen, including specialists, with certain customer responsibilities. Inside sales forces were broken down into three groups: Category A, persons who spend at least 25% of their time *making* telephone calls to customers and prospects; Category B, who *receive* phone calls and write orders; and Category C, who are primarily involved with over-the-counter sales. The survey was conducted by the firm of Towers, Perrin, Forster & Crosby.

The chart above gives a summary of 1980 earnings as reported by all firms answering the survey, without regard to the size of the firm or the number of people it employs.

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Circle **16**

Porter-Cable comes back after 22 years with new management

ST. PAUL—An old name in portable electric power tools is making a comeback. Pentair, Inc., which recently bought up Rockwell International's line in that area, has announced that its newly created, wholly owned subsidiary, Porter-Cable Corp., will produce and market the tools.

The original Porter-Cable was founded in 1906 and was bought by Rockwell in 1960, at which time that name was dropped and the Rockwell name adopted. Now the new owners, Pentair, are shaking the dust off the old corporate sign and hoping that the Porter-Cable name will lend itself to a smooth transition between the ownerships.

Porter-Cable has drawn its top management from the ranks of the Rockwell electric tool line. Thomas J. Ryan, formerly vice president of marketing at Rockwell Power Tool Division, has been named

[continued on page 20]

TOOLS OF THE TRADES

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Circle 17

Indicators . . .

Purchases of industrial supplies dropped again in November, according to the *NIDA-SIDA Industrial Distribution Index*. The *Index* fell 5.3% to 140.0 from its October level of 147.9, although the November number is still 11.5% above the year-ago mark. The south countered the national trend by posting a modest 1.2% gain for the month, but all other regions were down: the east, 5.6%; the midwest, 8.7%; and the west, 3.8%. The *Index* put inflation at 0.6% for the month and 10.2% for the November-November period . . . The *SIDA Monthly Sales Trend Report* showed a drop of 13.5% in November sales from the pace set in October, although the figure was 2.1% higher than that of the year before . . . The National Welding Supply Assn.'s *Welding Supply Index* showed a 3.9% drop in November from October, although sales were still 12.8% above the year-ago mark. Year-to-date sales were 9.9% better than in 1980 . . . The *ASMMA New Order Index* for November was down for the fourth consecutive month in November, to 111.7, a decline of 0.8% from October . . . The Federal Reserve Board's *Index of Production Manufactures for Durable Goods* was down 4.1 points in November from October, a decline of 3.2% . . . The Commerce Dept.'s index of 12 leading indicators fell 1.8% in October to 128.1, down 2.3 points from the September mark of 130.4 . . . *The Wholesale Hardware Sales Index* of the National Wholesale Hardware Assn. showed a November figure of 212.9, down 3.4 points (1.6%) from October but up 7.0% over the year-ago mark. All regions were reported down in November: the east, 2.5%; the midwest, 0.4%; the south, 0.1%; and the west, 4.8%. The four regions also followed the national index in posting gains over November 1980 figures . . . The National Machine Tool Builders Assn. said that shipments of new machine tools were slightly higher than October levels, but new orders were off by 10%, dropping the year-to-date figures 37% below those for 1980. There was, however, a 1% increase in orders for metalforming equipment, although for the first 11 months of 1981, metal-forming orders were down 12% from 1980. Metal-cutting tool orders were down 13% in November and off 42% from the year before.□

Regional Report

November sales stabilize

While the recession rages, sales for industrial distributors have leveled off, at least temporarily. According to *Regional Report* correspondents, November sales are still above previous-year totals, but substantially below those of the preceding month.

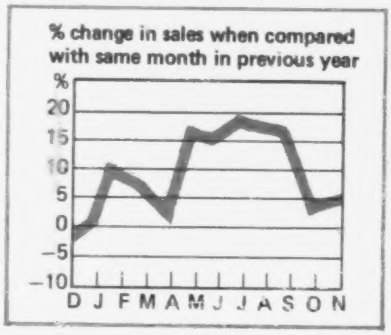
A look around the country presents an uneven story. The Pacific runs 11% below 1980 levels. South Carolina, Virginia and West Virginia are off 15%, and battered Michigan remains down 8%. However, New England distributors are prospering with a 13% upturn. West North Central is up 15%, and Upstate New York, Pennsylvania and Wisconsin all sport 11% monthly climbs when compared with 1980 figures.

The biggest year-to-date gains were made in the oil-producing regions of West South Central, 25%, and Illinois, 16%. Georgia, Florida and the East South Central each witnessed surges of 11%.

When adjusted for inflation, though, most gains are negated and check in at levels lower than those of a year ago. Even so, a ray of sunshine shows. The Dept. of Commerce says the index of leading economic indicators dipped 0.3% in November. This represents a decline in the rate of economic downturn. September and October were 2.1% and 1.6%, respectively.

RECEIVABLES*	Nov. 1981		Nov. 1980	
	Gen.	Spec.	Gen.	Spec.
New England	45.0	42.4	43.1	41.2
Middle Atlantic	45.4	49.8	45.7	45.3
South Atlantic	36.0	36.1	35.1	37.6
East North Central	41.2	44.9	41.2	41.5
East South Central	38.8	42.6	38.7	41.1
West North Central	39.9	39.7	39.0	38.7
West South Central	46.0	43.9	49.0	40.5
Mountain	42.2	42.8	48.9	41.0
Pacific	41.1	41.4	41.0	42.9
National	41.7	42.6	42.4	41.1

*Average days outstanding



After a steep decline in October, distributor sales bottomed out . . .

SALES BY REGIONS (% change)	Nov. '81 vs. Oct. '81			Nov. '81 vs. Nov '80			11 mos. '81 vs. 11 mos. '80		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	− 9	+21	0	+ 4	+14	+13	+10	+ 6	+10
Connecticut	− 0	− 2	− 1	+ 7	+13	+10	+ 2	+ 4	+ 6
Massachusetts	−10	+71	+ 6	− 0	+12	+ 9	+ 1	+ 6	+ 2
MIDDLE ATLANTIC: NY, NJ, PA	−14	− 9	−11	+ 6	+ 5	+ 5	−15	+ 2	− 5
New York Metropolitan Area	−31	− 4	−11	− 9	0	− 2	+11	− 2	+ 1
Upstate New York	−16	− 4	−11	+ 5	+18	+11	+ 4	+ 2	+ 3
Pennsylvania	− 2	−18	−10	+15	+ 7	+11	+ 3	+10	+ 7
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−12	−16	−14	− 6	+ 9	0	+ 4	+13	+ 7
	− 8	− 1	− 7	− 0	−15	− 7	− 1	+ 6	0
Georgia-Florida	−17	−18	−17	−16	+13	+ 4	+10	+12	+11
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−17	−18	−17	+ 6	+ 5	+ 6	+ 8	+ 7	+ 8
Indiana	−13	+12	− 1	+16	− 1	+ 8	+18	+13	+16
Wisconsin	−16	−20	−17	+10	+13	+11	+ 2	+10	+ 5
Chicago	—	− 6	—	—	+ 1	—	—	− 4	—
Michigan	−26	−38	−29	−11	+ 1	− 8	+10	+ 7	+ 9
Ohio	−11	+ 3	− 2	+17	0	+ 6	+ 8	+ 9	+ 9
EAST SOUTH CENTRAL: AL, MS, KY, TN	−19	−20	−19	+19	− 6	+11	+10	+15	+11
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	− 9	− 3	− 6	+23	+ 7	+15	+10	0	+ 5
WEST SOUTH CENTRAL: AK, LA, OK, TX	− 0	−17	− 6	+19	+18	+19	+23	+28	+25
Texas	+31	−17	− 1	+34	+18	+23	+28	+28	+26
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	− 1	−29	− 7	+ 9	−17	+ 4	+ 4	−11	+ 1
PACIFIC: CA, OR, WA	−23	− 9	−18	−12	−10	−11	0	+ 7	+ 3
L.A.-San Diego	− 7	−13	− 9	+ 8	+ 6	+ 8	+ 6	+10	+ 7
Oregon-Washington	−26	− 9	−20	−16	−19	−17	− 1	+ 5	+ 1
U.S. TOTALS	−13	−11	−12	+ 4	+ 6	+ 5	+ 4	+ 6	+ 5

signs and capabilities change so often that no appreciable used-computer market can develop. "There may be an exception with IBM 34's and 32's," he says, "but there's only a little used trade in that area."

However, Krichiver adds, there are a few reasons to buy used computer hardware, although those reasons are limited in scope and not likely to be of much help to the run-of-the-mill small-computer owner looking for a ready used-computer market. "Some people look for used hardware so they can keep on using the software they've already got," notes Krichiver. "Software costs are now so significant that owners try to salvage as much of it as they can. Others look for odd peripherals or a spare central processing unit for much the same reasons." To service that limited market, Krichiver says, some dealers will buy a used system "for practically nothing" and put it in a warehouse, in hopes that just such a customer will come along.

The bright side? "After five years, computer hardware is generally fully depreciated," says Krichiver. □

Watch upcoming issues of **ID** *for Computer Update '82, a new bi-monthly column covering the latest trends and developments in EDP hardware, software, systems and services. The next column: April* **ID**. □

Free newsletter a potpourri of EDP data

HOPEWELL, N.J.—*Prophecies*, a takeoff on the name Programmed Control Sales, Inc., is the title on the masthead of a new, four-page monthly newsletter containing both proprietary and helpful general information on EDP designed specifically around the needs of the industrial distributor. Programmed Control claims some 125 distributor-oriented turnkey system, installations in the U.S. and Canada to date. For a free subscription to *Prophecies*. . .

Circle No. 472

Survey shows which small computers are used most often in specific applications

DELRAN, N.J.—Datapro Research Corp. has published a report, *User Ratings of Computer Systems*, which details how many of 4448 surveyed mainframe, small-computer and microcomputer owners and lessors are using their systems for particular applications, such as order processing and inventory control. The Datapro survey also asked respondents about the advantages and disadvantages of their computer systems, whether the systems were performing as expected, if the respondents would recommend their system to other users, and other questions.

The survey drew responses from 2192 small-computer users, covering 98 models from 28 manufacturers. Of these 98 models, 23 were singled out by more than half of their users as being used for order processing and inventory control, perhaps the most important applications available to industrial distributors.

These 23 models, from 13 manufacturers, represent about half of all units used by the respondents, who were selected from the subscriber lists of *Computerworld* magazine.

Some of the data gathered by Datapro on these models has been excerpted and adapted for the table below. Where a particular model is also used by more than half of the respondents for applications other than order processing and inventory control, that statistic is given in boldface type as well. □

		Number of users using system for:			
Manufacturer/Model	**No. of users (total)**	**Accounting and Billing**	**Order Processing and Inventory Control**	**Payroll and Personnel**	**Sales-Distribution**
Basic Four 400/410	4	**4**	**4**	2	**4**
Basic Four 600/610	20	**18**	**15**	**17**	**13**
Data General CS 40, 50	5	**4**	**4**	**3**	2
Data General CS 60	10	**9**	**7**	4	3
Data General Eclipse C	41	**29**	**23**	17	16
Datapoint 1800	7	**6**	**4**	3	**4**
Datapoint 6600	20	**16**	**12**	8	8
Four-Phase IV 90	14	**10**	**8**	6	5
Harris 100/200	9	**7**	**5**	1	0
Hewlett-Packard 250	7	**5**	**4**	**4**	**4**
Hewlett-Packard 3000	36	**28**	**20**	17	12
IBM System/3	250	**219**	**151**	**187**	**129**
IBM System/34	456	**401**	**277**	**297**	192
IBM System/38	26	**23**	**16**	**16**	9
IBM 8100	17	7	**9**	8	5
Minicomputer Systems MICOS	5	**5**	**3**	2	1
Microdata Reality	47	**44**	**27**	**29**	21
NCR 8200	45	**36**	**23**	**30**	15
Qantel 200/300	5	**5**	**5**	**5**	**5**
Qantel 1400	11	**11**	**7**	**9**	**9**
Univac 9000 series	11	**9**	**6**	**8**	**6**
Wang VS	44	**33**	**26**	**24**	17
Wang 2200 Misc.	10	**9**	**6**	5	2

Source: *User Ratings of Computer Systems*, Datapro Research Corp., 1805 Underwood Blvd., Delran, N.J. 08075. Copyright © 1981 Datapro Research Corp.

Boldface indicates more than half of respondents use system for that application.

Industrial Distribution

March 1982

Hotline:
Distributors laud
Risk Retention Act;
set new
sights on tort reform

-/ C6185-2 3/16/82

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Contents

March, 1982
Vol. 72, No. 3/72nd year
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Industry News

4 Lowering inflation expected to spur distributor sales in '82; NFDA Miami meeting this month sets member unity as prime goal; Distributors handling coated abrasives see CAFA as new resource; Business climate study says south and west still the best; Gasoline price hikes show there's nowhere to go but straight up; 1981 was a good year for welding suppliers, according to NWSA; Bostwick-Braun CEO stresses diversified markets through 1982; More credit firms let their fingers do the walking; Midwestern expansion for Sumitomo Machinery; New economic index by NAPM and Dept. of Commerce to debut; Indicators.

Cover Story

41 **Selling style: It pays to be different.**
It's not easy to empty the warehouse in times like these and competence alone is no longer enough to ensure a distributor's survival. The distributor's sales force must have something extra going for it.

Feature Articles

47 **Hotline/Industry hails Risk Retention Act**
As another step toward solving the product liability puzzle is made, distributors gear up to attack tort law irregularities.

49 **Frontier Industrial Supply Corp...The company that wouldn't die.**
Going into industrial distribution just as its market area went into a slump, this firm combined hard work and vision to achieve success.

53 **Strictly for salesmen...Wired for sales**

63 **In the '80s...Why join an advisory council?**
There's reason enough as participants have discovered. Today both parties need each other's feedback more than ever.

66 **Capsule sales concept/Playing the game**

Marketing/Operations Ideas

69 Program stresses product knowledge to inside sales staff; U.S. fiscal policies top NAW's '82 agenda; Two strategies to hold profit margins in 1982; Material handling program explores current trends; Hike productivity by trimming loading time; Materials combined for in-house sign making; Air deflector clamps a lid on fuel costs; Free brochure details engineering plastics; Maintenance tips trim V-belt cost problem; Turnkey computer built for distributors' use; New books; Newsletter details management tips; Label printer available for electronic scales; Co-op funds available for hand tool marketing; Electronics industry probed in handbook; How to limit access to your EDP system.

Departments

13 Reader Service Card
27 Distributor Dates
29 Washington Report
33 Readers Write
37 Regional Report
39 Like It or Not
85 We Were There
87 New Products
104 In Print
111 Reader Service Card
115 Appointments
121 Classified Advertising
122 Advertisers' Index
124 Talk of the Trade

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Business climate study says south and west still the best

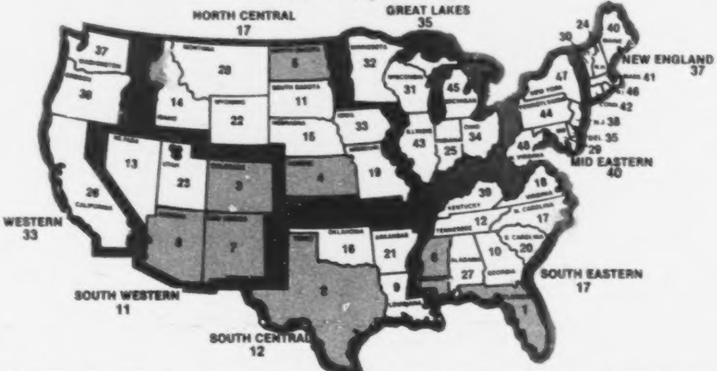
CHICAGO—The best places in the contiguous 48 states to run general manufacturing businesses are Florida, Texas and Colorado, while the worst are Rhode Island, New York and West Virginia. In fact, eight of the ten-worst areas are located in the northeast and midwest.

These findings were made as the result of a study of 1981 business conditions in all states except Alaska and Hawaii by Alexander Grant & CO., a consulting firm. The Grant study was performed in cooperation with the Conference of State Manufacturers' Assns., and is an update of studies done in the previous two years. However, the 1981 report weighs more factors in its findings and uses different methods to arrive at its conclusions, leading to a "new and more comprehensive base for ranking the attractiveness of each state for general manufacturing operations," according to study head Selwin Prive, a Grant managing partner.

The study asked business organizations and users of the 1979 and 1980 studies to consider their states' policies and practices in 22 different business-related areas, including state and local government fiscal policies, state-regulated employment costs, labor costs, labor force availability, labor productivity, etc.

The Grant study measures only quantifiable data that do not require subjective interpretation, can be obtained from credible, publicly available sources, are available from all 48 states surveyed, and are pertinent to business. It does not measure such factors as quality-of-life, which is not quantifiable. Grant suggests that the results be used only as a first step when contemplating an expansion or relocation into another state. □

1981 Business Climate Survey
State ranks and regional averages



THE NUMBER WITHIN A STATE is its overall rank among the 48 contiguous states, based on an averaging of Grant's 22 factors regarding general manufacturing business operations. The number below the name of each region is that region's average score—that is, the average rank of the states within the region. The states found by Grant to be in the top ten for study purposes are shaded in color.

Source: Alexander Grant & Co.

Coated abrasives

[continued from page 9]

its first annual convention in Las Vegas last April in order to formulate the association's goals: the promotion of the coated abrasives fabricator as an industry component important to distributors, customers and manufacturers, and the building of strong relations with suppliers. Coated abrasives companies buy in bulk from proven manufacturers and then tailor the product for specific applications. CAFA member firms have sales volumes ranging from $500,000 to $12 million per year, in an industry where the total market is estimated to be in the range of $50 million.

According to CAFA, once the association begins moving under a full head of steam, distributors handling coated abrasives "will have somewhere to go for the rush jobs, the small-volume special items, and the short-run abrasive products required by individual customers." □

Gasoline price hikes show there's nowhere to go but straight up

NORTHBROOK, ILL.—Runzheimer & Co., a survey and research firm, has compiled a list of gasoline prices in the U.S. from 1936 to 1981 in 14 major cities. Among other things, the list points out that the average price of a gallon of regular leaded has jumped 600% in the past 45 years, and 245% since the oil embargo of '73-'74. The distributor trying to keep the tanks on his vans full may take some slight comfort from the even higher prices in European countries, where super is going for the equivalent of $2.46 per gallon in Austria, $2.54 in Belgium, $2.90 in Denmark, $2.67 in the U.K., $2.75 in France, a relatively cheap $1.99 in Luxembourg, $2.46 in West Germany, $2.47 in Holland and a staggering $3.07 in Italy. Average top price range for super in the U.S. runs $1.40 to $1.60 per gallon.

Runzheimer blames the huge price increases for gasoline in recent years on the energy crisis and the resultant status of gasoline as a "diminishing commodity for which there is an ever-increasing demand."

1981 was a good year for welding suppliers, according to NWSA

PHILADELPHIA—Purchases of welding equipment from industrial distributors rose sharply in 1981, according to the National Welding Supply Assn. This movement boosted the figures for all purchases of welding suplies to a respectable 9.4% gain over 1980. Says John C. Beringer, NWSA vice president, "Industrial welding supply distributors survived the interest rate problem and experienced an excellent 1981."

The overall 9.4% sales gain was led by a whopping 22.3% increase in purchases of welding equipment over those of 1980. D.R. Moore, the association's first vice president, attributes the healthy equipment sales figures to "the commercial building industry, which is still going strong despite the current recession. Also, the agricultural industry is remaining fairly stable."

NWSA President Paul Smith notes that while production welding has declined during the recession, "maintenance welding has held up well, as it always does during a recession."

Despite the overall year-end gain, NWSA reports in its *Welding Supply Index*

[continued on page 16]

[continued from page 21]

keep track of movement in five important economic areas: new orders, production, employment, vendor performance, and inventories.

The Government thinks that the new index, which is based on reports made by purchasing managers to NAPM, has "some of the characteristics" of a leading indicator, with the added advantage that NAPM data are available before most other conventional figures are published. This should allow the Government to keep closer tabs on the recession and the expected recovery.

The new index, like other diffusion indices, will measure change by indicating the percentage of firms reporting conditions more favorable for that month than in the previous month. Each area surveyed in the new index is weighted mathematically, in accord with each area's importance to the economy.

The *Index* has been computed back to January 1948, and figures show that the highest *Index* ever recorded was in July 1950, with 77.5% of purchasing managers reporting that they were doing better in July than in June). The lowest *Index* figures were reached in January 1975 and June 1980, with only 30.7% reporting any improvement. In 1981, the *Index* hovered around 46.3%. □

Indicators

The *NIDA-SIDA Industrial Distribution Index* for December fell 7.5 points (5.4%), to 132.5, remaining only 4.4 points (3.4%) above the year-before figure. Regional figures were down everywhere except in the south, which posted a meager 0.2-point (0.1%) gain for the month, rising to 156.4. Other regions: the east, 136.0, down 6.1 points (4.3%); the midwest, 113.4 off 8.8 (7.2%); and the west, 159.3, down 14.6 (8.4%). Compared to year-before figures, the nation's distributors experienced a flat performance or even lost a bit in 1981. Over the course of the year, the east's index fell 1.6%; the midwest's, up 2.6%; the west's, up 0.7%; and the south's, up 12.%. The *NIDA-SIDA Industrial Supply Inflation Index* rose 9.5% in 1981, which throws every region except the south into the loss category for last year and reduces the south's true gain to 2.5% ... The *SIDA Monthly Sales Trend Report* for December shows sales up 10.2% for the month and running 8.8% over year-before levels ... November's *ASMMA New Order Index* fell to 111.7, 0.9 points (0.8%) under the October mark. In December, the *Index* fell again, this time by 1.2 points (1.1%), to 110.5 ... The Federal Reserve Board's *Index of Production Manufactures for Durable Goods* was down 3.0 points, to 131.0, in December, a drop of 2.2% ... The Department of Commerce's 12 leading indicators were off slightly, by 0.3 points, in November. This loss of 0.2% put the indicators at 127.8 ... The National Welding Supply Assn.'s *Welding Supply Index* gained 9.4% in 1981 over the year before, with purchases of 22.3% over the year. However, the December *Index* fell to 143.7 from the month before, a drop of 10.8 points (7.0%) ... The National Wholesale Hardware Assn.'s *Wholesale Hardware Sales Index* was up 9.4 points (4.4%) in December and 5.4 points (2.5%) for the year. The east was up 14.7 points (5.4%) for December and up 10.8 (3.9%) for the year; the midwest posted gains of 2.2% for the month and 3.1% for 1981; the south, up 4.1% in December and up 4.4% for the year; with the west gaining 7.8% in December but still losing 6.8% over the entire year ... The Conference Board's *Help-Wanted Advertising Index* reached its lowest point for 1981 in December, falling 2.0 points (1.8%).

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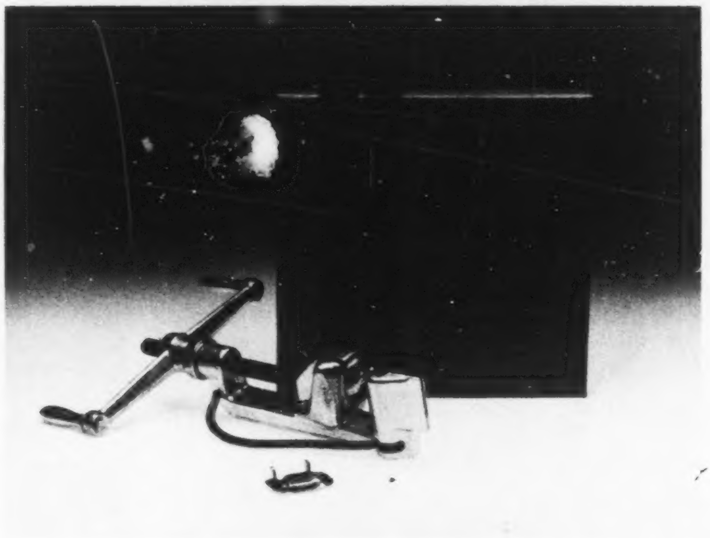

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Circle **21**

December sales stagnate

The year 1981 limped to a halt with small monthly gains and stagnant year-end sales performances for all distributors nationwide.

When compared with the previous month, December sales climbed only 1%; compared with a year ago, 5%. Annual totals marked an 8% rise.

As is to be expected, totals varied greatly by region. In Michigan and the Mountain region, they plummeted, dropping 22% and 16% respectively. However, sales performance rose dramatically in Pennsylvania (16%), Texas (20%) and Massachusetts (13%).

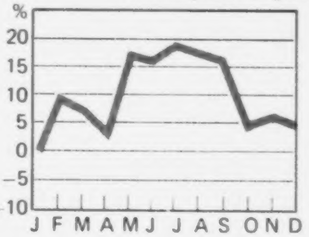
Gains rather than losses predominated 1981, but those areas accounting for double-digit increases were few. Surprisingly, the heavily industrialized states of Pennsylvania, Indiana and Ohio were among those posting between 10% and 21% sales jumps.

But if the annual rise of 8% for all distributors seems less than inspiring for the year to come, some refuge can be taken from the Dept. of Commerce's index of leading economic indicators. It rose 0.6% in December, the first increase since July and the onslaught of recession. Commerce Secretary Malcolm Baldrige called this welcome news, and suggested that the recession may soon bottom out. □

RECEIVABLES*	Dec. 1981		Dec. 1980	
	Gen.	Spec.	Gen.	Spec.
New England	45.2	38.6	46.0	41.0
Middle Atlantic	42.5	45.8	41.7	46.3
South Atlantic	35.0	38.3	35.1	38.4
East North Central	39.3	42.2	41.1	46.8
East South Central	38.0	54.0	42.0	54.0
West North Central	34.5	39.0	35.4	50.5
West South Central	48.7	46.4	55.0	50.4
Mountain	49.2	34.3	48.7	33.2
Pacific	35.0	43.7	33.1	43.2
National	41.3	41.4	42.0	43.8

*Average days outstanding

% change in sales when compared with same month in previous year



Remaining marginally above last year's, December sales halted further slippage . . .

SALES BY REGIONS (% change)	Dec. '81 vs. Nov. '81			Dec. '81 vs. Dec. '80			12 mos. '81 vs. 12 mos. '80		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+16	−2	+11	+4	−8	+1	+2	+3	+3
Connecticut	+18	0	+9	+5	−8	−2	+3	+3	+3
Massachusetts	+17	−8	+13	−2	+20	+5	−2	+12	+2
MIDDLE ATLANTIC: NY, NJ, PA	+8	+10	+9	+21	+12	+16	+7	+7	+7
New York Metropolitan Area	+13	+4	+6	+5	0	+1	+9	+5	+6
Upstate New York	−5	+19	+6	+22	+34	+27	+3	+4	+3
Pennsylvania	+13	+18	+16	+30	+25	+27	+7	+12	+10
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+9	−1	+5	+1	−1	0	+4	+12	+7
SC, VA, WV	+5	+6	+5	+3	−4	+2	−1	+5	0
Georgia-Florida	+18	+2	+12	−1	−2	−1	+8	+10	+9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−6	+5	−1	−5	+20	+7	+4	+10	+7
Indiana	−1	+18	+9	+9	+17	+13	+17	+25	+21
Wisconsin	+1	+8	+3	+6	+31	+14	+2	+12	+5
Chicago	+6	+2	+3	−9	0	−2	−15	+9	+4
Michigan	−18	−27	−22	−27	−18	−23	+7	+9	+8
Ohio	−11	−12	−11	−8	+16	0	+16	+9	+14
EAST SOUTH CENTRAL: AL, MS, KY, TN	−8	−12	−11	−4	−13	−10	+15	+15	+15
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−10	+6	−4	+10	+14	+12	+10	+4	+8
WEST SOUTH CENTRAL: AK, LA, OK, TX	−9	+18	−4	−1	+46	+9	+21	+29	+23
Texas	+21	+18	+20	+42	+46	+44	+31	+29	+30
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−6	−32	−16	+3	−30	−10	+6	+15	+10
PACIFIC: CA, OR, WA	−2	+3	0	−14	+7	−4	−1	+14	+6
L.A.-San Diego	−10	−1	−6	+1	+1	+1	+3	+9	+6
Oregon-Washington	0	+6	+3	−18	+8	−7	−3	+16	+5
U.S. TOTALS	+1	+2	+1	+2	+9	+5	+6	+10	+8

ID's quarterly inflation index

Here's the second of ID's continuing series of quarterly inflation indexes for 32 product lines. Seven columns of updated data make it the most complete in this industry.

■ **Column 2.** Shows the inflation rates for the last three months of 1981 and annualizes them. For example, the Consumer Price Index rose only 0.8% (not shown) for the fourth quarter of 1981. Multiplied by four (four quarters), the annualized rate is shown equaling 3.2%.

■ **Column 3.** Shows the inflation rate from December 1980 through December 1981

■ **Column 4.** Shows the inflation rate from December 1979 through December 1980

Conclusions

Even if business picks up in the second half of 1982 as some economists and the Reagan Administration predict, we predict that the inflation rate of both the Silver/ID and NIDA/SIDA indexes will be in the 3%-6% range. The high levels of inventories which industrial distributors carried are going to be lowered now that the inflation rate is so much lower than the interest rate and to bring inventories down to a level commensurate with the lower sales volumes in most parts of the U.S. With the lower inflation rate, vendors are under less pressure to raise prices. Moreover, in a recession, vendors are looking for business and pressure from the marketplace tends to inhibit them from raising prices unless forced to do so. As we see it:

■ Overstocking due to poor inventory management can no longer be tolerated on the theory that, oh well, it's going up 12% so what's the difference? Now more than ever is the time to improve your inventory management methods.

■ The overwhelming odds are that the recession too will pass although it may well be the worst one in the postwar period. When it ends, it is likely the inflation beat will pick up to the levels of the recent past. If you are not on LIFO (no tax on inflation) at this late date, you should find out how to overcome the obstacles you feel you are facing. New developements in the law and LIFO conversion tactics make it easier than ever to go on LIFO now.□

Comparing inflation indexes

This table shows 1980 and 1981 calendar year inflation rates compiled by a number of reliable sources. Note the general slackening of inflation from 1980 to 1981. Since the rate of inflation of industrial products has continued to slacken in recent months, ID estimates that both the ID and NIDA/SIDA indexes will show an inflation rate in 1982 of 3%-6%.

	*BLS inflation rates		
	12/81 vs. 9/81 annualized	12/81 vs. 12/80 (12 mos.)	12/80 vs. 12/79 (12 mos.)
Silver/ID index of 32 industrial product groups	−0.8%	8.9%	11.1%
NIDA/SIDA index of 10 industrial product groups	6.8%	9.4%	11.0%
****PPI index of industrial commodities**	3.8%	8.4%	13.2%
Average of the above three indexes	3.3%	8.8%	11.7%
PPI index of finished goods (indl/agric)	6.2%	7.0%	12.8%
Silver/Wholesaler index of 19 lines (plmbg/htng)	2.2%	6.0%	9.3%
Electrical Marketing index of 24 product groups	5.4%	6.7%	10.3%
*****NAED inflation index: 16 product groups**	8.8%	7.9%	11.3%
Consumer Price Index	3.2%	8.9%	12.4%

*Bureau of Labor Statistics
**Producers Price Index (formerly Wholesale Index)
***National Assn. of Electrical Distributors (non-BLS)

About these tables. Each quarterly index to be published in ***ID*** from now on will show the inflation rate for the current year to date. Since the present index covers the fourth quarter of 1981, it gives the inflation for the entire year 1981, both for the 32 product groups and for the composite index arrived at by averaging the inflation rate of all 32. Our index includes all 10 of the commodity groups covered by the National and Southern Industrial Distributors Assn's. (NIDA/SIDA) inflation index. We also show NIDA/SIDA's weighted composite index showing total inflation from December 1980 to December 1981.

The two composite indexes are shown one below the other at the end of the price index. Although ours is unweighted, note that there is not much difference between their composite inflation rates for the year.

■ **Column 1.** The 32 product groups were carefully selected to provide the most representative cross-section of distributor-sold goods. An unpublished list of 150 product groups is available from Alan Silver & Associates, 168 Woodbridge Ave., Highland Park, NJ. 08904. For any three or four product groups not listed in the table, similar inflation information is available from Silver at no charge. Include a stamped, self-addressed envelope. The list of 150 product groups shows the December price index for each year from 1967 (the base year).

■ **Column 2.** Bureau of Labor Statistics (BLS) Price Index at the end of 1981

■ **Column 3.** BLS Price Index at the end of 1980

■ **Column 4.** Inflation (%) for 1981 (Column 2 divided by Column 3)

■ **Column 5.** Inflation (%) in the fourth quarter

■ **Column 6.** BLS Price Index at the end of 1980

■ **Column 7.** BLS Price Index at the end of 1979

■ **Column 8.** Inflation (%) for 1980 (Column 6 divided by Column 7)

Comparing inflation indexes (table). This shows the comparative inflation trends from 1979 through 1981 for the BLS-based composite Silver/ID and NIDA/SIDA industrial indexes and for a number of other highly regarded, BLS-based indexes of interest to industrial distributors.

While Column 3 shows a substantial drop of the inflation rate for the entire year of 1981 against the entire year of 1980, you can only detect the full extent of the drop in the inflation rate by studying Column 2 showing *current* annual rate of inflation based on the rate for the fourth quarter of 1981.

■ **Column 1.** Lists seven BLS-based composite indexes of interest to industrial distributors.

By **Alan Silver**
Alan Silver & Assoicates, Inc.
Highland Park, NJ

ID quarterly inflation index for industrial distributors (1967=100)

Product category	Current qtr to 12/81	Dec. 1980	% of inflation 12/81 vs. 12/80	Inflation annualized 1981	4th qtr 1980	4th qtr 1979	Annual inflation 1980
Industrial oil	359.8	327.2	10.0	10.0	327.2	275.1	18.9%
Prepared paint	256.7	241.7	6.2	6.2	241.7	210.7	14.7%
*Rubber belts & belting	312.3	271.3	15.1	15.1	271.3	238.1	13.9%
Other misc. rubber products	277.6	236.4	17.4	17.4	236.4	216.2	9.3%
Plastic construction products	153.4	153.7	−.2	−.2	153.7	148.3	3.6%
Finished steel products	347.5	311.4	11.6	11.6	311.4	288.5	7.9%
Wire & cable	206.7	214.0	−3.4	−3.4	214.0	203.0	5.4%
Copper wire & cable	198.9	207.6	−4.2	−4.2	207.6	197.1	5.3%
Aluminum wire & cable	240.9	234.0	2.9	2.9	234.0	219.6	6.6%
Builders hardware	266.1	242.7	9.6	9.6	242.7	215.6	12.6%
*Hand tools	323.3	291.8	10.8	10.8	291.8	256.7	13.7%
*Misc. metal products	281.4	258.4	8.9	8.9	258.4	239.9	7.7%
Industrial safety eq.	125.1	117.9	6.1	6.1	117.9	111.4	5.8%
*Bolts, nuts, screws & rivets (fasteners)	269.3	251.0	7.3	7.3	251.0	240.1	4.5%
*Power-driven hand tools	214.7	199.0	7.9	7.9	199.0	180.3	10.4%
Welding machines & eq.	270.0	249.1	8.4	8.4	249.1	231.5	7.6%
*Cutting tools & accessories	263.9	240.6	9.7	9.7	240.6	233.6	3.0%
Precision measuring tools	233.1	214.3	8.8	8.8	214.3	190.0	12.3%
*Abrasive products	285.7	261.5	9.3	9.3	261.6	233.6	11.9%
Metal cutting machine tools	359.1	330.6	8.6	8.6	330.6	288.2	14.7%
Metal forming machine tools	389.2	363.2	7.2	7.2	363.2	318.1	14.2%
Pumps, compressors & eq.	338.4	304.7	11.1	11.1	304.7	259.1	17.6%
Fluid power eq.	234.0	211.3	10.7	10.7	211.3	184.5	14.5%
*Industrial material handling eq.	284.6	261.7	8.8	8.8	261.7	240.6	8.8%
*Mechanical power transmission eq.	306.6	279.4	9.7	9.7	279.4	245.8	13.7%
*Valves & fittings	316.5	296.5	6.7	6.7	296.5	268.4	10.5%
Ball & roller bearings	321.6	279.0	15.3	15.3	279.0	237.7	17.4%
Plain bearings	271.6	271.5	0	0	271.5	248.9	9.1%
Wiring devices	318.9	277.3	15.0	15.0	277.3	257.0	7.9%
Electrical instruments	251.1	210.8	19.1	19.1	210.8	191.5	10.1%
Electric motors	284.1	255.5	11.2	11.2	255.5	236.8	7.9%
Generators & generator sets	336.8	311.2	8.2	8.2	311.2	252.6	23.2%
NIDA/SIDA composite	285.5	260.9	9.4	9.4	260.9	235.0	11.0%
Silver/ID composite	278.1	255.1	8.6	8.6	255.1	230.0	10.8%

*Included in NIDA/SIDA composite

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Industrial Distribution

April 1982

Hotline:
Distributors uphold GOP stance, but expect prolonged recession

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WHERE ARE THE MARKETS?

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BPA
ABP

Contents

April, 1982
Vol. 73, No. 4/72nd year
A Morgan-Grampian publication

Industry News

5 Employee fringes grew in amount, scope in the past nine years; Distributors being bilked by counterfeit hand hacksaw blades; 'Economic collapse' possible in '80s, says publication; NAW forms captive insurance company for distributors; Columbus fastener show will 'Make the Right Connection'; NAPM says rate of economic decline is starting to slow; Acquisitors had 'high' interest in distribution in '81; Indicators; Seminars; CEOs think they'll do better than U.S. economy in '82; Acquisitions; Appointments.

Cover Story

39 **Where are the markets?**
They're mainly in the distributor's imagination: probing new opportunities, branching out to offer services in outlying markets, keeping an eagle eye on the in and out movements of high-potential industries.

Feature Articles

49 **Hotline/Distributors uphold GOP stance, but expect prolonged recession**
Stalwart in their support of Reaganomics, distributors nevertheless question whether the dream can become reality.

51 **Computer Update**

55 **How to Sell...Adhesives and epoxies**

61 **Strictly for Salesmen...Let's go to the videotape!**
As prices continue to come down, salespeople are finding more and more uses for video cassette recorders.

63 **When all else fails, TERMINATE.**
Motivating a salesman is a continuous process. When that's no longer possible, give him notice.

64 **Capsule sales concept/Word power!**

Marketing/Operations Ideas

67 Distributor backs sales force with direct mail promotion; Distributor program: Stock more, pay less; Phone, don't fly, to your next meeting; Free tax guide stresses year-round planning; New books; Production line speeds with electronic scale; EDP library: asset and inventory management; Lease option offered on crane or hoist system; Trademark dictionary lists 160,000 products; Electrical servicing detailed in booklet; Hiring employees works best when done by test; Pocket guide helps track shipments; Speed hose assembly with snap-in installation.

Departments

17 Reader Service Card
25 Washington Report
28 Distributor Dates
31 Readers Write
35 Regional Report
37 Like It or Not
77 We Were There
79 New Products
87 Reader Service Card
89 In Print
95 Appointments
103 Classified Advertising
103 Advertisers' Index
104 Talk of the Trade

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Indicators

The *NIDA/SIDA Industrial Distirbution Index* climbed 2.7 points (2.0%) in January, to 135.2, the first gain recorded in the *Index* since last October's meager boost of 0.5 points. Regionally, the east stayed dead even with December, at 136.0. While all other regions saw their indices rise against December levels, only the south is managing to stay ahead of year-ago figures. For January, the other regional figures are: the midwest, 116.4, up 3.0 points (2.6%); the west, 160.0, up 0.7 (0.4%); and the south, 162.2, up 5.8 (3.7%). Year-ago percentage losses: the east, down 7.6%; the midwest, down 7.6%; and the west, down 4.0%. The south is up 13.0% for the year....The *SIDA Monthly Sales Trend Report* for January was down 13.2% from the month before, but was still ahead of the year-ago mark by 1.9%...The National Wholesale Hardware Assn.'s *Sales Index* has been recalculated to reflect 1981 = 100, and has been broken down into seven regions from the previous four. Assuming that the previous month's index in all regions was, therefore, 100, the national figure was 102.6, up 2.6 (2.6%), boosted by gains in the southwest (5.7%), Great Lakes (4.3%), northeast (5.6%), east central (7.5%) and southeast (0.2%). Losses occurred in the west and plains states, in each case 4.1%...Sales were up and inventories down for copper and brass servicenters in January, according to the Copper & Brass Servicenter Assn., with the *Shipments Index* rising for the first time since August and the *Inventory Index* down for the first time in three months...Orders for new machine tools were up 38% in January, according to the National Machine Tool Builders' Assn. However, shipments were down 20%, perhaps reflecting a scarcity of orders in previous months. Orders for metal-cutting machine tools were up 43% for the month, and metal-forming tools enjoyed a 26% boost. Industry backlog now stands at about eight months' worth, or $3.1 billion, a figure which was declining throughout 1981...The Conference Board reports that consumer confidence showed some gain in January, although consumer optimism about the future apparently does not extend to planning major purchases of consumer goods this year. But consumer confidence seems ready to return.

Acquisitions...

[continued from page 10]

net worth. Sale prices improved as the year wore on: In the fourth quarter of 1981, prices averaged $18.2 million, while in the second quarter they averaged a low of $10.4 million. At bottom, reports Duff & Phelps, distributorships were acquired for somewhat below the average price throughout U.S. industry of 170% of net worth.

Interestingly, publicly-held acquisitors made 74% of 1981's purchases, but 70% of the acquired companies were privately owned. More firms sold for cash alone than for stock, notes or a combination of the three.

Of the 111 distributors acquired in 1981, 18 were in industrial supplies and equipment, 15 in electronic parts, eight in motor parts, six in plumbing and heating, and five in lumber and construction materials. Eight of the 111 distributorships were bought by foreign firms. □

[continued on page 20]

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Regional Report

January sales nosedive

The year 1982 got off with a thud as January sales dopped 10% when compared with the previous year, and 11% when compared with the previous month.

For the year-to-date, specialists were the hardest hit with an 18% downturn, partially offset in national totals by general liners' comparatively mild 7% sales drop.

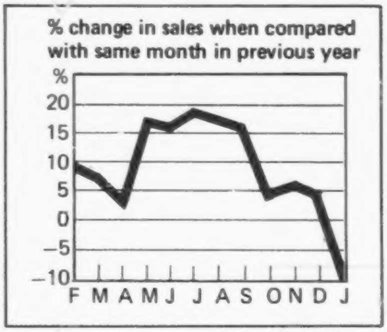
Red ink was splashed all around the country as only a few regions showed signs of economic vitality. Pennsylvania distributors posted a 9% increase; Massachusetts, 9%; Middle Atlantic, 5%; and New York City, 1%. All other areas are in steep decline.

Mountain state distributors exhibited the biggest losses—30%. Following close on their heels were Indiana and Georgia-Florida with, respectively, 26% and 22% plunges. Even the usually bullish, oil-blessed West South Central region witnessed a big, unexpected setback, a 10% sales dip.

Even so, Dept. of Commerce economists say that sagging sales are typical of the current recession. Agency figures confirm the trend by a 1.2% falloff in new factory orders for January. This latest piece of bad news indicates that the recession is still far from peaking. Estimates don't call for its hitting bottom until spring, and distributors should be prepared to face a long recovery. □

RECEIVABLES*	Jan. 1982		Jan. 1981	
	Gen.	Spec.	Gen.	Spec.
New England	48.2	47.8	49.6	46.6
Middle Atlantic	45.4	47.9	41.4	47.8
South Atlantic	38.5	34.4	41.4	32.8
East North Central	41.7	43.1	40.2	48.5
East South Central	44.0	60.0	39.0	60.0
West North Central	37.3	28.5	43.6	33.7
West South Central	—	—	—	—
Mountain	42.3	43.3	41.9	44.6
Pacific	42.7	50.0	43.1	45.2
National	42.5	43.6	42.5	44.9

*Average days outstanding



January sales plummeted due to forces of recession and high interest rates . . .

SALES BY REGIONS (% change)	Jan. '82 vs. Dec. '81			Jan. '82 vs. Jan. '81			1st mo. '82 vs. 1st mo. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−18	− 5	−13	− 3	+18	+ 5	− 3	+18	+ 5
Connecticut	−25	−16	−21	− 5	−22	−14	− 5	−22	−14
Massachusetts	−11	− 4	− 8	− 3	+27	+ 9	− 3	+27	+ 9
MIDDLE ATLANTIC: NY, NJ, PA	−13	−13	−13	+ 4	+ 6	+ 5	+ 4	+ 6	+ 5
New York Metropolitan Area	−14	0	− 5	− 6	+ 4	+ 1	− 6	+ 4	+ 1
Upstate New York	− 4	− 3	− 4	−10	+ 5	− 3	−10	+ 5	− 3
Pennsylvania	−14	−36	−23	+18	+12	+15	+18	+12	+15
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	− 9	− 7	− 8	− 2	−13	− 8	− 2	−13	− 8
SC, VA, WV	− 7	−31	−13	+ 3	−17	− 2	+ 3	−17	− 2
Georgia-Florida	−18	0	−18	−22	0	−22	−22	0	−22
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	− 4	−18	−12	−14	−20	−10	−14	−20	−10
Indiana	−25	−32	−29	−25	−26	−26	−25	−26	−26
Wisconsin	0	−24	−16	0	−28	−12	0	−28	−12
Chicago	− 6	− 6	− 6	− 6	−10	−10	− 6	−10	−10
Michigan	+ 1	0	+ 1	−33	+15	−17	−33	+15	−17
Ohio	+10	+25	+13	−10	+31	− 2	−10	+31	− 2
EAST SOUTH CENTRAL: AL, MS, KY, TN	− 4	+11	+ 4	+ 3	−20	− 9	+ 3	−20	− 9
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−17	−22	−20	+ 6	−17	− 9	+ 6	−17	− 9
WEST SOUTH CENTRAL: AK, LA, OK, TX	−13	0	−13	−10	0	−10	−10	0	−10
Texas	—	—	—	—	—	—	—	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	0	− 4	− 4	0	−30	−30	0	−30	−30
PACIFIC: CA, OR, WA	+ 1	+11	+ 5	−16	− 9	−20	−16	− 9	−20
L.A.-San Diego	− 1	+26	+ 6	−12	− 8	−11	−12	− 8	−11
Oregon-Washington	+ 3	+ 4	+ 4	−30	−10	−20	−30	−10	−20
U.S. TOTALS	−10	−11	−11	− 7	−18	−10	− 7	−18	−10

Industrial Distribution

May 1982

Hotline: Sunbelt recession signals prolonged economic recovery

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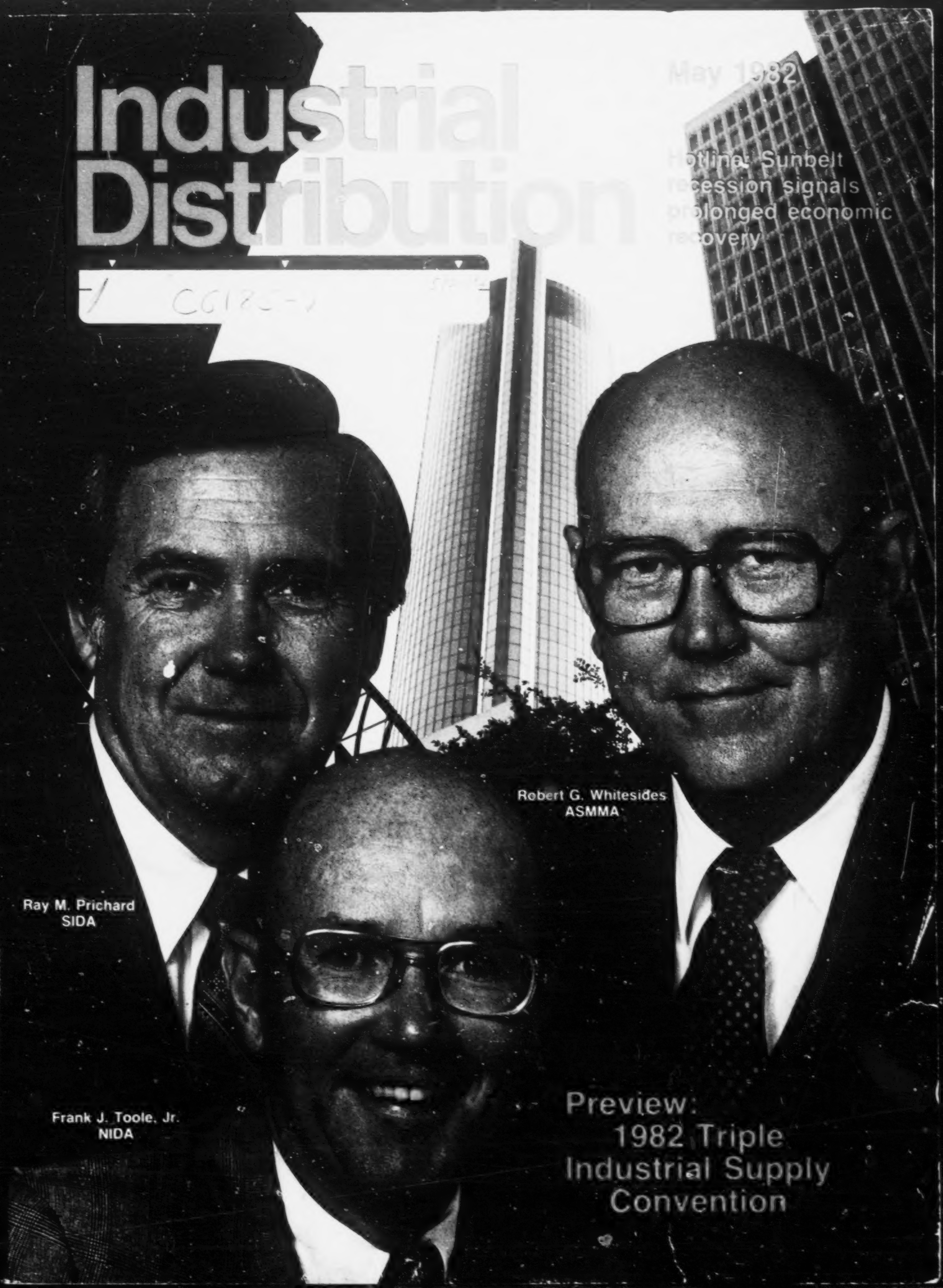
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Preview: 1982 Triple Industrial Supply Convention

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Contents

May, 1982
Vol. 72, No. 5/72nd year
A Morgan-Grampian publication

6 **Industry News**

Cover Story

51 The Triple: Getting back to basics

Hotline

56 Sunbelt recession signals prolonged economic recovery

Features

60 The awesome 80s. . .Miracles or more of the same?
63 Distribution in West Germany
67 In a downturn. . .Happiness is a friendly supplier
69 Charitable contributions of inventory: tax deductions seen
76 Telephone body language or. . .How to sell 'by ear'
80 Taxes: Think recession and save
85 Sons and heirs. . .Are they fit to manage?
88 What to do. . .When the union is at your door

Sales

93 Strictly for salesmen. . .It's negotiable!
95 A personalized sales compensation plan
99 Sell 1-hr more a week. . .Watch your sales volume soar
101 48 ways to use inside salesmen
109 How to sell. . .Hoists and accessories
117 How good are manufacturers' agents?

Associations

112 Joining associations. . .Know your rights
129 View from the top. . .Your association is you
133 PTDA: Marketing is in!
141 STAFDA: 1982—Light at the end of the tunnel
149 CSIDA: One step beyond!
157 SIDA: The challenge of change
169 NAW: Spotlight on political action

Companies

177 King Bearings Inc. . .How it tripled sales in four years
181 Sonnet Supply. . .Where delegation is an art
184 Drago Supply. . .Toughing it out and winning

Computers

191 Expanding stock locations? Computer models point the way
197 Fast facts on personal or micro-computers

Inventory

199 Inventory management. . .What's wrong with stock turns?
205 A primer on. . .Automated storage and retrieval

209 **Capsule Sales:** Offer your best deal

211 **Marketing/Operations**

328 **What they're saying**

Departments

31 Distributor Dates
33 Reader Service Card
37 Washington Report
40 Readers Write
45 Regional Report
49 Like It or Not
231 We Were There
233 New Products
277 In Print
307 Reader Service Card
315 Appointments
335 Advertisers Index
336 Classified Advertising
340 Talk of the Trade

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NAPM survey says economy still shows no evidence of improving

NEW YORK—Despite some indications earlier in the year that the economy might have begun to turn around, the nation's purchasing managers say that the first quarter of 1982 was, after all, a literal downer.

The National Assn. of Purchasing Management's *Report on Business* for March says that, in that month, figures on production, incoming new orders and employment were still dropping. NAPM noted that while the rate of decline in production and new orders had slowed in recent months, there is still no evidence of any upturn in the economy.

While NAPM says that vendor deliveries showed sharp improvement in March—the number of NAPM members reporting quicker deliveries was up by 4%—the organization added that faster deliveries from manufacturers are typical in times when the economy is weak, since deliveries tend to slow when business is improving and backlogs build. NAPM's vendor-delivery indicator has been rising—that is, showing a worsening economy—every month since last May.

However, a bright note was struck in the *Report* as NAPM members said that prices of purchased materials were continuing to fall, maintaining a trend begun in February. Not since 1952 have so many survey respondents reported lower prices.

There was also more pessimism expressed among the purchasing managers about the state of the economy in the next 12 months. Also, 55% of the managers said that business in the first quarter of 1982 was worse than in the last quarter of 1981, while only 17% reported that business was better.

With all this, the *Purchasing Managers' Composite Index* dropped to 37.4% in March, down from 39.4% in February. An *Index* reading of below 50% indicates that the economy is declining.

Regarding specific commodity changes, the purchasing managers reported caustic soda still in short supply, but prices on oil country tubular goods were reported lower, after months of increasing prices and shortages. All grades of fuel oil, propane, diesel oil and gasoline were also reported lower in price. Also said to be cheaper in March were aluminum, copper, silver, sugar, ferrous scrap and ethylene glycol.

Report on Business seven-month trend (September-March)

Responses are from purchasing managers of 250 industrial companies

How far ahead are PAs buying industrial supplies?

	Hand to mouth	30 days	60 days	90 days	180 days and longer
	(percentage of respondents reporting)				
Production materials					
March	13	42	27	12	6
February	12	36	32	12	8
January	16	35	31	11	7
December	15	36	29	12	8
November	14	32	31	13	10
October	12	35	27	14	12
September	12	31	31	14	12
MRO supplies					
March	42	35	17	4	2
February	38	43	12	5	2
January	41	37	15	4	3
December	39	42	12	4	3
November	38	39	15	5	3
October	40	38	12	7	3
September	39	38	18	4	1
Capital expenditures					
March	15	5	10	13	57
February	13	6	4	17	60
January	14	4	5	15	62
December	17	3	3	14	63
November	15	3	5	13	64
October	12	5	3	13	67
September	12	4	4	11	69

Source: National Assn. of Purchasing Management

Campaign begun to convince Washington to cut budget further

PHILADELPHIA—The National Industrial Belting Assn. has mounted a campaign to convince the President and Congress that the Federal budget deficit for fiscal year 1983 should be cut still further by a reduction in spending, even below levels now thought politically impossible to exceed.

A bulletin sent by NIBA to its members says, "It is critical that massive wholesaler-distributor grassroots influence be brought to bear on the Congress and the Administration to urge them to move quickly to significantly reduce Federal spending. Write your represenatives and senators, and the President, immediately to urge that they take immediate steps to cut Federal spending."

NIBA is afraid that the deficits will curtail credit in the private sector, especially for small businesses. "Deficit projections of $150 billion are keeping interest rates stubbornly high, despite the recession," NIBA says. "These high interest rates are a very serious threat to achievement of the goals of the President's economic recovery program, which we strongly support through the National Association of Wholesaler-Distributors."

Commenting on the Administration's plan to reduce the 1983 deficit from $150 billion to $90 billion, NIBA says, "A $90 billion deficit is still too high; the deficit must be reduced further. This further reduc-

[continued on page 9]

[continued from page 19]

Indicators

The *NIDA/SIDA Industrial Distribution Index* fell a hefty 4.3 points (3.2%) in February, indicating that the recession was still very much with us in that month. Regionally, the picture was mixed. The east's index fell 5.3 (3.9%); the midwest was down 3.8 points (3.3%); the west's figure was up 6.4 points (4.0%); and the south's index plunged 13.6 points (8.4%). The February movement put the national index at 130.9. Regional figures: the east, 130.7; the midwest, 112.6; the west, 166.4; and the south 148.6 . . . The *NIDA/SIDA Industrial Supply Inflation Index* rose 1.4 points to 151.6 in February (up 0.9%), marking an annualized inflation rate of 11.8% . . . The National Wholesale Hardware Assn.'s new *Hardware Sales Index*, begun in January, fell 8.1 points in February, to 94.5 (down 7.9%). The seven regions of the index posted losses as well, with the exception of the northeast, which boasted a modest gain of 0.6 points (0.6%), to 106.2. The other regions: the west, down 2.4 points (2.5%), to 93.5; the plains states, off 13.5 (14.1%), to 82.4; the southwest, down 2.1 (2.0%), to 103.6; the Great Lakes states, down 20.4 (19.6%), to 83.9; the east central region, down 12.6 (11.7%), to 94.9; and the southeast, down 1.6 (1.6%), to 98.6 . . . The National Welding Supply Assn.'s *Welding Supply Index* fell 2.9 points (2.0%), to 140.8, in January. The new mark was only 0.4 points behind that of a year before, representing a slight loss of 0.3% . . . The ASMMA *New Order Index* for January went to 107.6, a loss of 2.9 points (2.6%) from the month before . . . The Federal Reserve Board's *Index of Production Manufactures* was off 1.8 points (1.4%) in January, falling to 126.0 . . . The U.S. Commerce Dept.'s 12 leading indicators showed a gain of 1.6 points (1.2%), risng to 129.4 in December . . . The National Fluid Power Assn.'s indices for orders and shipments showed new orders for all products up 3.8% in February, but that shipments declined by 5.8%. In January, orders were reported down 19.1% and shipments down 3.9% . . . The Conference Board says that capital appropriations by the 1000 largest manufacturers in the U.S. dropped 14.7% between the third and fourth quarters of 1981, to $22.6 billion. Actual capital spending rose only 0.4% in the fourth quarter. The weakness in the figures was due to cutbacks in petroleum industry purchasing.

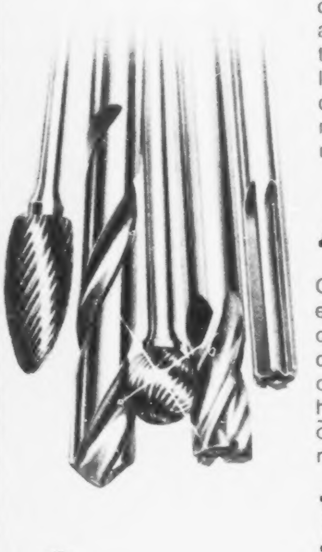
Changes

■ W. Burke Bero has been named executive vice president and general manager of Henry L. Hanson, Inc., Worcester, Mass. Bero will be responsible for all operations at Henry L. Hanson, which manufactures cutting tools.

[continued on page 27]

Rely on Ultra Tool

"Manufacturer of solid carbide cutting tools"



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Circle **20**

February sales continue lax

There was good news and bad news in February's sales performance reports. The good news was that, nationally, distributor sales were up 8% over January's dismal showing; the bad news was that February sales ran 5% behind year-ago levels. However, the bad news was mitigated by a 5% drop, which was only half that shown in the January figures.

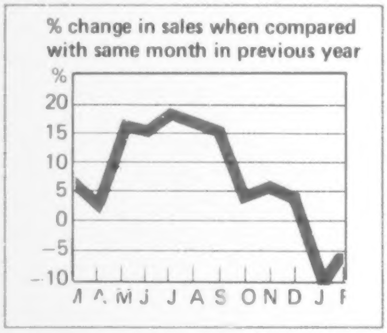
Specialist sales in February were up 12% across the nation; general line distributors reported 4% gains. Both categories said that their sales for the first two months of the year were running 5% above the levels set at the same time last year, sharply better than the combined 10% losses of last month.

It's in the year-ago figures, however, that distributor losses are more apparent. Connecticut specialists said they're running 25% behind February 1981 figures; in Indiana, they're talking about drops of 29%; and the west south central states reported a nosedive of 35%. That 35% loss might have been far worse had Texas not managed to come up with an 18% gain.

In month-to-month figures, the biggest success story was found in the Pacific states, where Los Angeles and San Diego specialists posted 55% gains for the month and 44% gains over February 1981. The 65% rise reported in the east south central region was skewed by fewer responses than normal.

RECEIVABLES*	Feb. 1982 Gen.	Feb. 1982 Spec.	Feb. 1981 Gen.	Feb. 1981 Spec.
New England	40.6	43.7	41.2	47.2
Middle Atlantic	42.3	43.6	41.4	47.7
South Atlantic	39.9	39.4	37.7	39.4
East North Central	44.0	44.9	42.1	44.5
East South Central	0	60.0	0	60.0
West North Central	40.3	37.5	42.0	44.0
West South Central	0	45.7	0	47.6
Mountain	24.2	40.2	28.3	43.4
Pacific	41.5	47.1	37.8	39.5
National	39.0	44.6	38.6	45.9

*Average days outstanding



% change in sales when compared with same month in previous year

February sales figures might indicate that the recession is slowing down . . .

SALES BY REGIONS (% change)	Feb '82 vs Jan '82			Feb '82 vs Feb '81			2 mos '82 vs 2 mos '81		
	Gen	Spec	Both	Gen	Spec	Both	Gen	Spec	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+12	+4	+9	−6	−18	−10	+7	+18	+11
Connecticut	+8	+15	+10	0	−20	−7	+5	+27	+12
Massachusetts	+29	+5	+21	+4	−4	+1	+4	−2	+2
MIDDLE ATLANTIC: NY, NJ, PA	+4	+5	+4	+1	+2	+1	−4	−2	−3
New York Metropolitan Area	+8	−9	−1	−3	−2	−2	+4	−2	+2
Upstate New York	+11	4	+8	+6	+25	+14	−3	−18	−9
Pennsylvania	0	+30	+11	+3	−2	+1	−8	+3	−4
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+17	+16	+17	−3	−3	−3	+10	+6	+9
SC, VA, WV	+17	+11	+15	−3	+2	1	+10	+7	+9
Georgia-Florida	+12	+10	+15	−14	−5	−10	+21	+6	+14
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+1	+11	+6	−16	−9	−13	+14	−5	+5
Indiana	+6	+28	+17	−17	−29	−23	+14	+39	+27
Wisconsin	+13	+16	+15	−4	+2	1	+11	−4	+4
Chicago	+26	0	−26	−33	0	−33	−3	0	−3
Michigan	+24	+9	+17	−9	−17	−14	+16	−23	−4
Ohio	−9	+14	3	−17	+6	−11	+19	+12	+17
EAST SOUTH CENTRAL: AL, MS, KY, TN	0	+65	+65	0	+19	+19	0	−1	−1
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+3	+7	+5	+9	−24	−4	−3	+26	+9
WEST SOUTH CENTRAL: AK, LA, OK, TX	0	−7	−7	0	−35	−35	0	+41	+41
Texas	0	+3	+3	0	+18	+18	0	−11	−13
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+17	+17	+17	+28	+5	+14	−14	+9	0
PACIFIC: CA, OR, WA	−8	+22	+6	−12	+9	−2	+7	+3	+5
L.A.-San Diego	0	+55	+22	−2	+44	+16	+5	−16	−3
Oregon-Washington	−9	+2	−3	−15	−11	−13	+8	+19	+14
U.S. TOTALS	+4	+12	+8	−5	−4	−5	+5	+5	+5

Industrial Distribution

June 1982

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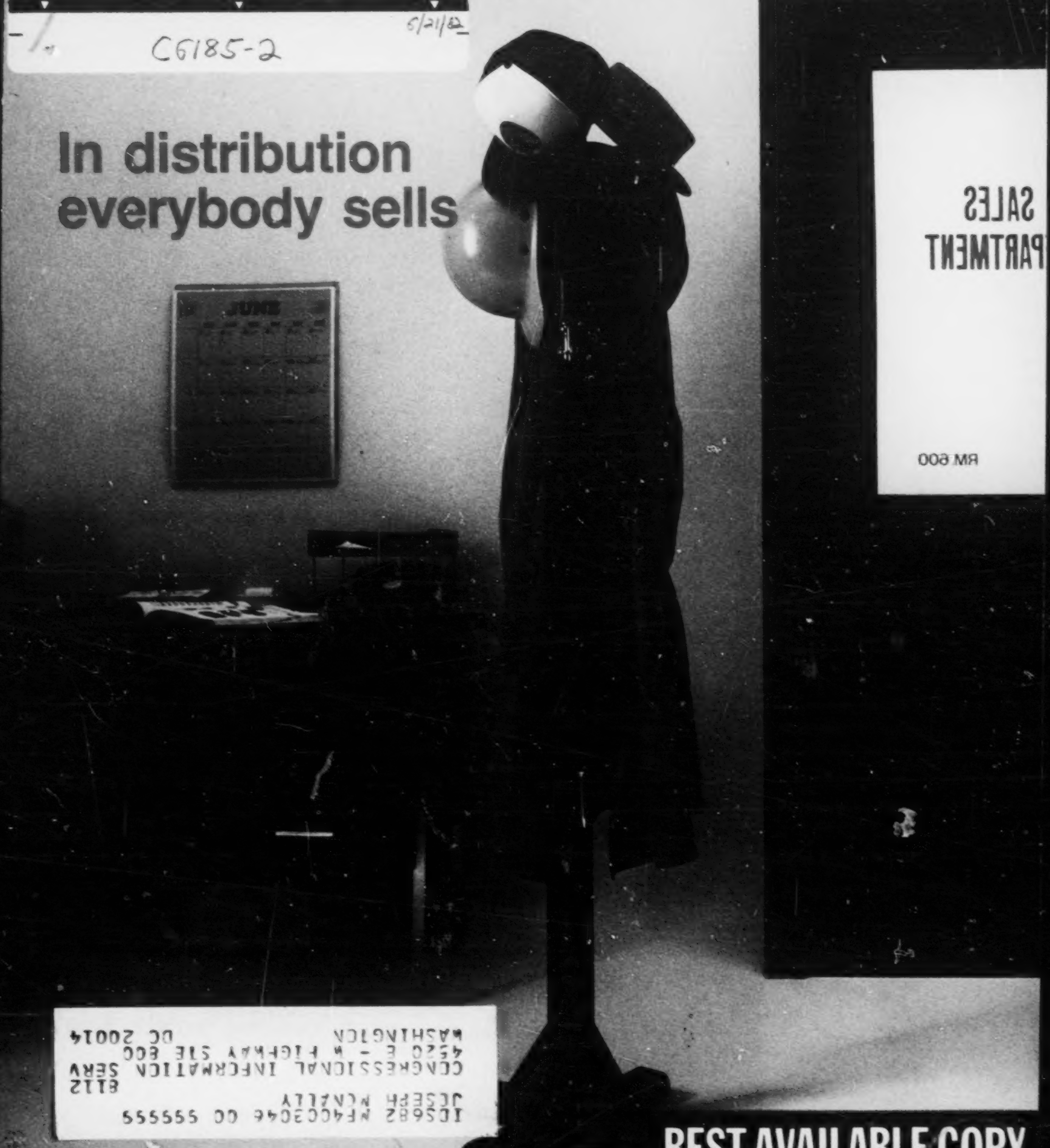

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Contents

June, 1982
Vol. 72, No. 6/72nd year
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Industry News

7 NAPM report reveals inflation is down but recession continues; High prime rate may be the prime factor stalling recovery; Commerce Dept. points out tax breaks available in new law; Tool distributors support Reagan economic policies; U.S. Treasury makes indexing rule changes; Western world's economies picking up, but U.S. lags behind; Indicators; Fluid power makers say that 1982 will be tough, but better; Government sees $1.4 trillion in wholesale sales; Distributors thinking of 'going LIFO' have how-to book available; Large majority of surveyed execs plan new plants, expansion; Distributors of electric motors join to form association.

Cover Story

41 **In distribution everybody sells.**
A prospect calls your number with a question. Your operator answers with a smile and the right response. The buyer decides to order, so the operator quickly transfers the call to an inside salesperson, who records the order promptly and courteously, assures the buyer the items are in stock and guarantees rapid handling. The buyer's pickup truck comes to the dock and the order is all ready. Not once was an outside salesman involved. Who did the selling? Everyone.

Feature articles

46 ***ID's* quarterly inflation index**
Inflation rates are down but the problems besetting distributors remain fixed in concrete. As this expert sees it, little immediate relief is forthcoming.

48 **Hotline/Bankruptcies surge in wake of recession, market slump**
High interest and faltering sales have combined to darken the economic horizon. The question becomes, how many distributors can survive the current onslaught of red ink?

53 **Computer Update**
56 **How to sell . . . Shop furniture, shelving, racks and cabinets**
61 **Strictly for salesmen . . . On the road again**
63 ***ID's* Article Index—January to June, 1982**
65 **Capsule Sales Concept/Start a little revolution**

Marketing/Operations Ideas

67 Annual personnel roundup spurs Texas distributor's flow of ideas; 1982 promo designed to hike distributor sales; You can talk your way to added success; Inhouse computer eases operational procedures; Standard robot parts seen as profit makers; Fluid power now under computerized control; How to keep sales cool when temperature soars; Do you know the cost of employee benefits?; A simplified self-help guide to OSHA rules; Text covers efficient methods of grinding.

Departments

17 Reader Service Card
25 Distributor Dates
27 Washington Report
33 Readers Write
37 Regional Report
39 Like It or Not
75 We Were There
76 New Products
83 Reader Service Card
89 In Print
93 Appointments
98 Classified Advertising
99 Advertisers Index
100 Talk of the Trade

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NAPM report reveals inflation is down but recession continues

NEW YORK—The April *Report on Business* from the National Assn. of Purchasing Management says that the economy is still slowing down, but continues to do so at a reduced rate. However, figures on production, new orders and employment continue to worsen, with only the produciton figures showing less decline than in previous months.

"Disinflation," as the opposite of inflation is sometimes called, was virtually the only upbeat part of the *Report*, as it has been in recent months. The number of NAPM members reporting lower prices in the *Report* climbed to a 30-year high; only 8% of the respondents reported higher prices, although this figure rose from 5% the month before.

The economy, however, is still weak, as evidenced by the *Purchasing Managers' Composite Index*. While the *Index* rose slightly, to 40.2% (from 37.4% in March), a reading of below 50% means that the economy is on the decline. The increase in the *Index* from March to April, however, indicates that the decline is slowing.

The April survey asked whether the responding purchasing managers felt that the second quarter of 1982 would be better than the first. Forty-five percent said yes, but 55% disagreed. Further, only 17% said their companies are operating at 90% of normal capacity or better, the lowest percentage of persons so responding since the question was first asked more than 21 years ago. The number of managers saying that their production rates were lower than 50% of normal capacity was the highest since May 1961.

Inventories continued to drop in March, as did capital spending, which continues in its downward spiral. The purchase of production materials and MRO supplies continues on a hand-to-mouth basis. Unemployment was reported slightly higher.

But on the disinflation front, news was better. For the first time in three monthly *Reports*, an item—starch—was reported up in price. Copper, diesel oil, oil and petroleum products, gasoline, and soda ash were said to be lower. Bearings and caustic soda were reported to be in continued short supply with no relief in sight. □

High prime rate may be the prime factor stalling recovery

NEW YORK—While the prime rate has fallen a few percentage points in the past year, its continued high level may prevent a recovery from the recession this year and perhaps hold the economy down through 1983.

That's the suspicion of Alan Silver, president of Alan Silver & Associates, a management consultancy firm in Highland Park, N.J. Silver, working with figures supplied by the Chase Manhattan Bank, says, "I certainly hope that sometime in 1982 we begin to come out of the recession. But it is well to note that as we came out of the recession in 1975, almost-normal interest rates were present, and this had to be a big help. I think many people do not realize how big a difference there is in the interest rate level between the two periods."

From July to December 1975, according to the bank's figures, the prime rate stood at an average 7.44%, peaking in September at 8.00% and falling to a low of 7.17% the next month. In contrast, the prime ran at an average 8.10% in the first six months of 1975, between a high of 9.93% in January and a low of 7.00% in June.

Chase Manhattan says that for the six-month period ending in March 1982, the prime ran at an average rate of 16.58%; it went as high as 18.40% in October 1981 and as low as 15.75% in the following December and January. The prime was higher still in the April-September 1981 period, running at an average 19.67%; the rate in July and August hit a record 20.50%, while the low figure for the period, 17.38%, occurred in April.

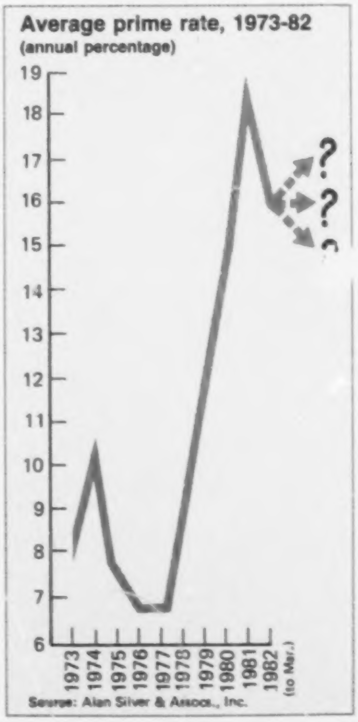
The prime rate, according to Chase Manhattan, last cracked the 10% barrier in October 1978 and has not gone below that mark since; a previous bout with a double-digit prime that occurred in 1974 and lasted eight months.

Says Silver, "In discussion of the outlook for recovery from the present recession, very properly the point is raised that the very high interest rates in effect are a deterrent, and that the outlook for a big deficit is an obstacle to a reduction of the interest rates." □

The prime rate, 1973-82
(monthly percentage)

YEAR	JAN	FEB	MAR	APR	MAY	JUN
1973	6.00	6.03	6.30	6.61	7.02	7.53
1974	9.73	9.21	8.86	9.96	11.25	11.53
1975	9.93	8.86	7.91	7.50	7.40	7.00
1976	6.97	6.75	6.75	6.75	6.78	7.23
1977	6.11	6.25	6.25	6.25	6.44	6.75
1978	8.00	18.00	8.00	8.00	8.30	8.63
1979	11.74	11.50	11.50	11.50	11.73	11.62
1980	15.25	15.66	18.28	19.62	16.48	12.50
1981	20.11	19.43	17.35	17.38	19.81	20.00
1982	15.75	16.53	16.37	—	—	—

	JUL	AUG	SEP	OCT	NOV	DEC
1973	8.30	9.24	9.86	9.95	9.51	9.90
1974	11.97	12.00	11.96	11.63	10.79	10.33
1975	7.38	7.35	8.00	7.17	17.46	7.25
1976	7.25	7.00	7.00	6.75	6.50	6.18
1977	6.75	6.83	7.25	7.50	7.75	7.75
1978	9.00	9.02	9.41	10.00	10.72	11.55
1979	11.54	11.92	12.89	14.35	15.73	15.65
1980	11.35	11.10	12.28	13.79	16.06	20.00
1981	20.50	20.50	19.83	18.40	16.66	15.75
1982	—	—	—	—	—	—


Average prime rate, 1973-82
(annual percentage)

Source: Alan Silver & Assocs., Inc.

For other significant news, see WASHINGTON on page 27 and HOTLINE on page 48.

[continued from page 8]

ity," and that the success of the President's economic program is "essential to the economic health of the United States."

Adds the resolution, "Without dramatic increases in incentives for investment in productive equipment and technology, the U.S. standard of living and security cannot be sustained."

AMTDA also resolved that Congress come up with a "restructuring of the country's education system" so that the vocational skills of graduates match the requirements of the existing job market.

U.S. Treasury makes indexing rules changes

WASHINGTON—The U.S. Treasury Dept. has announced new regulations on inventory. The regulations now allow for 80% indexing of inventory pools to the *Consumer Price Index* or the *Producer Price Index* for all businesses now restricted to valuing inventory based on internal indices alone.

Treasury is also allowing 100% indexing

[continued on page 12]

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Indicators

The NIDA-SIDA Industrial distribution Index gained 2.4 points in March, rising to 133.3, a jump of 1.8%. However, the March figure is still 5.6 points (4.0%) below the year-ago figure of 138.9, indicating that economic recovery still has a way to go. Regionally, the *Index* reports that things are looking up everywhere but in the south, where the March mark of 145.0 represented a 3.6-point (2.4%) drop from the February figure. Other regions: the east, 140.8, up 10.1 points (7.7%); the midwest, up 2.3 (2.0%); and the west, up 2.0 (1.2%). In terms of percentages, only the south is doing better than it was in March 1981, having seen a boost of 3.3% in the past year. The three other regions are down: the east, 2.8%; the midwest, 8.7%; and the west, 1.7% ... *The NIDA-SIDA Industrial Supply Inflation Index* rose 1.0 point in March (0.7%) to 152.6, equating to an annualized figure of 8.2% inflation ... The *ASMMA New Order index* for February dropped 3.5 points (3.3%) to 104.1 ... The National Wholesale Hardware Assn.'s *Hardware Sales Index* gained 3.4 points (3.6%) in March, rising to 97.9. Five of the *Index*'s seven regions showed gains that month: the west, up 12.3 points (13.2%) to 105.8; the plains states, up 9.1 (11.0%) to 91.5; the southwest, up 2.7 (2.6%) to 106.3; the Great Lakes states, up 6.6 (7.9%) to 90.5; and the southeast, up 1.2 (1.2%) to 99.8. Losses were seen in the northeast, down 3.7 points (3.5%) to 102.5, and the east central states, down 8.2 (8.6%) to 86.7 ... The National Welding Supply Assn.'s *Welding Supply Index* jumped 7.1 points (5.0%) in February to 148.1, only 0.4% off the pace set last year. Purchases of welding equipment alone that month soared 25.4 points (17.9%), putting that segment of the *Index* at 167.3 ... The Material Handling Institute says that manufacturers reported bookings in January of $322.7 million, shipments of $327.7 million, compared with year-ago figures of $385.3 million for bookings and $348.2 million for shipments. The figures represent losses of 16.3% and 5.9%, respectively ... The National Tooling & Machining Assn.'s quarterly *Business Forecast Report* for April predicts that 1982 shipments will drop 5%, with inflationary losses producing an actual decline of 12% to 13%.

March sales creep upward

March sales continued to climb up from a 12 month low reached last January, yet remain 2% below monthly totals of the previous year, according to *Regional Report* correspondents. Although specialists reported a 5% increase, general line losses pulled down the national totals.

Sales for the year-to-date are, however, 4% above last year.

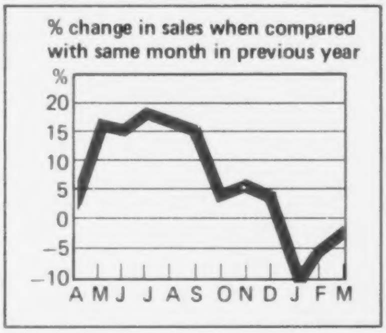
More important, though, is that March'82 sales were substantially above February sales for both specialists and general liners. This indicator could mean that the recession has bottomed out and business activity is once again on the rise. Some of the previously hardest hit areas showed the most dramatic recoveries. Chicago distributors were up 20%, Pennsylvania 17%, New England 18%, Mountain States 24%.

Year-to-date totals were less impressive, principally because only the severely depressed regions of 1981 showed any 1982 gains. So they really represent little more than partial recovery from a horrendously unprosperous previous year. Connecticut and Mountain distributors led the way with 18% and 14% increases, respectively. Close on their heels were West South Central and Indiana distributors, each exhibiting 12% sales climbs.

Among those posting losses were, surprisingly, Texas general liners, with a 12% drop. This could reflect the first quarter earnings drop of all major domestic oil producers. However, year-to-date sales for the West South Central show an increase of 4%.

RECEIVABLES*	March 1982		March 1981	
	Gen.	Spec.	Gen.	Spec.
New England	38.9	44.8	38.6	43.1
Middle Atlantic	42.3	44.5	42.0	45.0
South Atlantic	33.5	39.4	33.7	36.1
East North Central	39.3	38.1	41.9	41.2
East South Central	37.6	46.5	39.3	48.0
West North Central	36.6	37.6	40.1	41.5
West South Central	46.0	42.9	40.0	44.2
Mountain	52.4	50.9	54.1	53.1
Pacific	34.8	40.7	34.6	41.0
National	40.2	42.8	40.5	43.7

*Average days outstanding



March sales inched their way back toward previous year totals, but still lag . . .

SALES BY REGIONS (% change)	March '82 vs. Feb. '82			March '82 vs. March '81			3 mos. '82 vs. 3 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+18	+17	+18	-2	-11	-5	+6	+16	+10
Connecticut	+12	-8	+2	-12	-19	-16	+9	+26	+18
Massachusetts	+18	+29	+21	-2	-1	-2	+4	+2	+4
MIDDLE ATLANTIC: NY, NJ, PA	+11	+15	+13	-10	+18	+5	0	-7	-4
New York Metropolitan Area	-4	+12	+7	-6	+16	+9	-2	-4	-3
Upstate New York	+18	+12	+15	-13	+19	0	+5	-12	-2
Pennsylvania	+14	+20	+17	-9	+21	+6	-2	-9	-6
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+14	+13	+14	+2	-4	0	+2	+6	+3
SC, VA, WV	+17	+6	+13	+6	-19	-2	-1	+13	+4
Georgia-Florida	+6	+16	+11	-12	+2	-5	+11	+3	+7
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+13	+11	+12	-12	0	-7	+13	-4	+6
Indiana	+10	0	+10	-7	0	-7	+12	0	+12
Wisconsin	+26	+3	+17	+7	-9	+1	+1	+1	+1
Chicago	+11	+29	+20	-33	+2	-16	+14	+1	+8
Michigan	+7	+10	+8	-21	+7	-9	+27	-13	+10
Ohio	+16	+10	+14	-12	+10	-3	+11	+12	+11
EAST SOUTH CENTRAL: AL, MS, KY, TN	+21	+7	+14	-2	-4	-3	+6	-4	+1
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+7	+23	+17	+3	+18	+12	+5	+16	+12
WEST SOUTH CENTRAL: AK, LA, OK, TX	+2	0	+2	-19	0	-19	+4	0	+4
Texas	-28	0	-28	-1	0	-1	-12	0	-12
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+9	+26	+24	+1	-15	-10	-7	+36	+14
PACIFIC: CA, OR, WA	+26	+25	+26	-11	-1	-7	+9	+6	+8
L.A.-San Diego	+21	+22	+21	+3	+10	+6	-1	-6	-3
Oregon-Washington	+27	+26	+27	+1	-5	-2	+10	+11	+10
U.S. TOTALS	+14	+17	+15	-8	+5	-2	+6	+2	+4

ID's quarterly inflation index

Inflation rates are down but the problems besetting distributors remain fixed in concrete. As this expert sees it, little immediate relief is forthcoming.

Both the *Silver/ID* and the *NIDA/SIDA Index* show a 4.0% and 4.1% annualized inflation rate respectively, based on the inflation rate for the first quarter. But for this period the *Producers Price Index* shows only a 1.2% annual rate. We believe the most reliable forecast of the annual inflation rate for commodities handled by industrial distributors is the average of all three, which is a 3.1% inflation rate on an annual basis. For the prior quarter (October-December 1981) the average of all three indexes was an annualized rate of 3.3%, which was much closer to the present trend than any single one of the three industrial indexes used for our average.

In our last *Quarterly Inflation Index* report (***ID:*** March 1982), we predicted that the inflation rate for 1982 in industrial distribution would be in the 3%-6% range. On the basis of the continuing decline in the inflation rate shown in this month's *Quarterly Inflation Index* report, we now predict that the annual rate will be in the 2%-4% range.

Note that based on the first quarter of 1982, the projected annual inflation rate of both the Silver/*ID* and the NIDA/SIDA indexes is less than half of that for 1981 and about one-third of that for 1980. The *Producers Price Index* for industrial commodities for 1982 shows a projected annual Inflation rate of 1.2%, one-seventh the rate for 1981. Note that nearly all of the other industry indexes in Table 1 reflect a sharp drop in inflation rate. I find that the two that don't show a sharp drop are influenced by random circumstances.

The Administration spokesmen who predicted that the economy would come roaring back in the spring now concede that the economy is dead in the water. In recent years, the profits shown by industrial distributors were often merely windfall gains from the high inflation rate. With the temporary removal of the veil of inflation, the inefficiency of many distributors' operations will be plainly visible. Even if a recovery does get under way early next year, low inflation rates are likely for both 1982 and 1983.

To show a profit in these two years, distributors are going to have to make it on their own merits with no help from inflation or tax gimmicks. With no subsidy from inflation and high interest rates, distributors can no longer afford to tolerate inventory turns which when properly calculated are hardly better than two turns a year. There will need to be more emphasis than ever on effective inventory control, manual or computerized.

About bias

Bias of all published price indexes occurs in the compilation. In some situations, the prices furnished by the vendors to the Bureau of Labor Statistics do not reflect unpublished extra discounts. These tend to multiply in a period of recession so that the BLS may overstate inflation to an unknown degree. In a boom period, there is a tendency for some unpublished prices to be withdrawn so that, again, BLS may err by understating inflation. Where we show a BLS inflation rate for a downturn period, actual inflation rate could be around 1% less than is shown in these tables and in our remarks. In a boom period, inflation rate could be 1% more than is shown.

An unpublished list of 150 product groups is available from Alan Silver & Associates, 168 Woodbridge Ave., Highland Park, N.J. 08904. It shows the December price index for each year from 1967 (the base year) and is available for $50.

By **Alan Silver**
Alan Silver & Associates, Inc.
Highland Park, N.J.

Table 1—Comparing inflation indexes

	*BLS inflation rates (%)			
	Current qtr 3/82 vs 12/81 annualized	Year-to-date 3/82 vs 12/81 annualized	12/81 vs 12/80	12/80 vs 12/79
Silver/*ID* index of 32 industrial product groups	4.0%	4.0%	8.9%	11.1%
NIDA/SIDA index of 10 industrial product groups	4.1%	4.1%	9.4%	11.0%
**PPI index of industrial commodities	1.2%	1.2%	8.4%	13.2%
Avg. of above indexes	3.1%	3.1%	8.9%	11.8%
PPI index of finished goods (indl/agric)	2.4%	2.4%	7.0%	12.9%
Silver/Wholesaler index of 19 lines (plmbg/htng)	5.2%	5.2%	6.0%	9.3%
Electrical Marketing index of 24 product groups	4.1%	4.1%	6.7%	10.3%
***NAED inflation index: 16 product groups	7.2%	7.2%	7.9%	11.3%
Consumer Price Index	2.4%	2.4%	8.9%	12.4%

*Bureau of Labor Statistics
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS)

Note: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Subsequent inflation index reports will follow the above format.

Table 2—ID quarterly inflation index for industrial distributors (1967=100)

Product category	Current qtr 3/82	Previous qtr 12/81	% inflation	Current qtr annualized %	Year-to-date 3/82 vs 12/81 annualized %	4th qtr 81	4th qtr 80	Annual inflation 81 %
Industrial oil	362.4	359.8	0.7	2.8	2.8	359.8	327.2	10.0
Prepared paint	259.3	256.7	1.0	4.0	4.0	256.7	241.7	6.2
*Rubber belts & belting	333.1	312.3	6.7	26.8	26.8	312.3	271.3	15.1
Other misc. rubber products	283.5	277.6	2.1	8.4	8.4	277.6	236.4	17.4
Plastic construction products	149.8	153.4	−2.3	−9.2	−9.2	153.4	153.7	−0.2
Finished steel products	349.2	347.5	0.5	2.0	2.0	347.5	311.4	11.6
Wire & cable	206.6	206.7	0.0	0.0	0.0	206.7	214.0	−3.4
Copper wire & cable	199.0	198.9	0.0	0.0	0.0	198.9	207.6	−4.2
Aluminum wire & cable	239.2	240.9	−0.7	−2.8	−2.8	240.9	234.0	2.9
Builders hardware	271.6	266.1	2.1	8.4	8.4	266.1	242.7	9.6
*Hand tools	328.6	323.6	1.5	6.0	6.0	323.3	291.8	10.8
*Misc. metal products	284.6	281.4	1.1	4.4	4.4	281.4	258.4	8.9
Industrial safety eq.	129.2	125.1	3.3	13.2	13.2	125.1	117.9	6.1
*Bolts, nuts, screws & rivets (fasteners)	271.9	269.3	1.0	4.0	4.0	269.3	251.0	7.3
*Power-driven hand tools	219.0	214.7	2.0	8.0	8.0	214.7	199.0	7.9
Welding machines & eq.	265.3	270.0	−1.3	−5.2	−5.2	270.0	249.1	8.4
*Cutting tools & accessories	270.2	263.9	2.4	9.6	9.6	263.9	240.6	9.7
Precision measuring tools	235.3	233.1	0.9	3.6	3.6	233.1	214.3	8.8
*Abrasive products	294.9	285.7	3.2	12.8	12.8	285.7	261.5	9.3
Metal cutting machine tools	365.6	359.1	1.8	7.2	7.2	359.1	330.6	8.6
Metal forming machine tools	398.0	389.2	2.3	9.2	9.2	389.2	363.2	7.2
Pumps, compressors & eq.	346.0	338.4	2.2	8.8	8.8	338.4	304.7	11.1
Fluid power eq.	240.4	234.0	2.7	10.8	10.8	234.0	211.3	10.7
*Industrial material handling eq.	288.4	284.6	1.3	5.2	5.2	284.6	261.7	8.8
*Mechanical power transmission eq.	311.8	306.6	1.7	6.8	6.8	306.6	279.4	9.7
*Valves & fittings	320.0	316.5	1.1	4.4	4.4	316.5	296.5	6.7
Ball & roller bearings	322.1	321.6	0.2	0.8	0.8	321.6	279.0	15.3
Plain bearings	271.6	271.6	0.0	0.0	0.0	271.6	271.5	0.0
Wiring devices	322.9	318.9	1.3	5.2	5.2	318.9	277.3	15.0
Electrical instruments	257.2	251.1	2.4	9.6	9.6	251.1	210.8	19.1
Electric motors	287.0	284.1	1.0	4.0	4.0	284.1	255.5	11.2
Generators & generator sets	339.7	336.8	0.9	3.6	3.6	336.8	311.2	8.2
NIDA/SIDA composite	292.1	285.5	2.3	9.2	9.2	285.5	260.9	9.4
Silver/ID composite	281.0	278.1	1.0	4.0	4.0	278.1	255.1	9.0

*Included in NIDA/SIDA composite

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Industrial Distribution

July 1982

Hotline:
Distributors
are threatened:
'Cut prices
or lose business'

C6185-2 7/14/82

%

36th Annual Survey of Distributor Operations

Industrial Distribution

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Contents

July, 1982
Vol. 72, No. 7/72nd year
A Morgan-Grampian publication

Industry News

6 'Vendor's endorsement' is not automatic savings for distributor; CEOs see end of decline with 'prosperity around the corner'; Distributors protest law group opposition to liability reform; Government seeks simpler definition of small business; Purchasing managers see recovery in next six months, in 1983; Changes; PTDA's Ad Awards go to the judges at August deadline; Indicators; Accountants' group, SBA agree on tactics for small business; Acquisitions; Congress may pass corporate surtax hurting distributors.

Cover Story

37 **36th Annual Survey of Distributor Operations**
'81 sales are up, but profits are down. Record interest rates and recession delivered a one-two punch to profits and costs. Operational plans call for retrenching, delaying EDP purchases, and hoping 1982 signals a turnaround.

Feature articles

47 **Hotline/Distributors threatened: 'Cut prices or lose business'**
During the first quarter of 1982 major customers of distributors began exerting pressure for cost rollbacks. Now, the trend has become an epidemic.

49 **Strictly for Salesmen . . . Let's get personal**
You don't have to be a graduate engineer to handle a personal computer effectively. A salesman, with a little self-training and some smart shopping, can get and use a personal computer to organize his territory, plan his coverage of it, update his account list and keep track of his billings.

53 **How to Sell . . . Lubricants, coolants and supplies**

56 **Choosing a CEO . . . Know thy successor**
The natural tendency would be to take the candidate who mirrors your own style. In today's volatile environment, the wrong choice can ruin your company.

Marketing/Operations Ideas

61 Selling chemicals? Do it right!; Audiovisuals aid sales, increase productivity; Distributor sales aid via promo campaign; Automatic printer stores information; 1982 directory lists membership of IAMW; Management guide to best suited lift truck; Pre-cut modules add to warehouse space; Robotics technology viewed on videotape; Books; Sales aid offers free detailed catalog chart.

Departments

17 Reader Service Card
23 Distributor Dates
24 Readers Write
29 Washington Report
33 Like It or Not
35 Regional Report
72 We Were There
75 New Products
83 Reader Service Card
88 In Print
94 Appointments
98 Classified Advertising
99 Advertiser's Index
100 Talk of the Trade

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Indicators

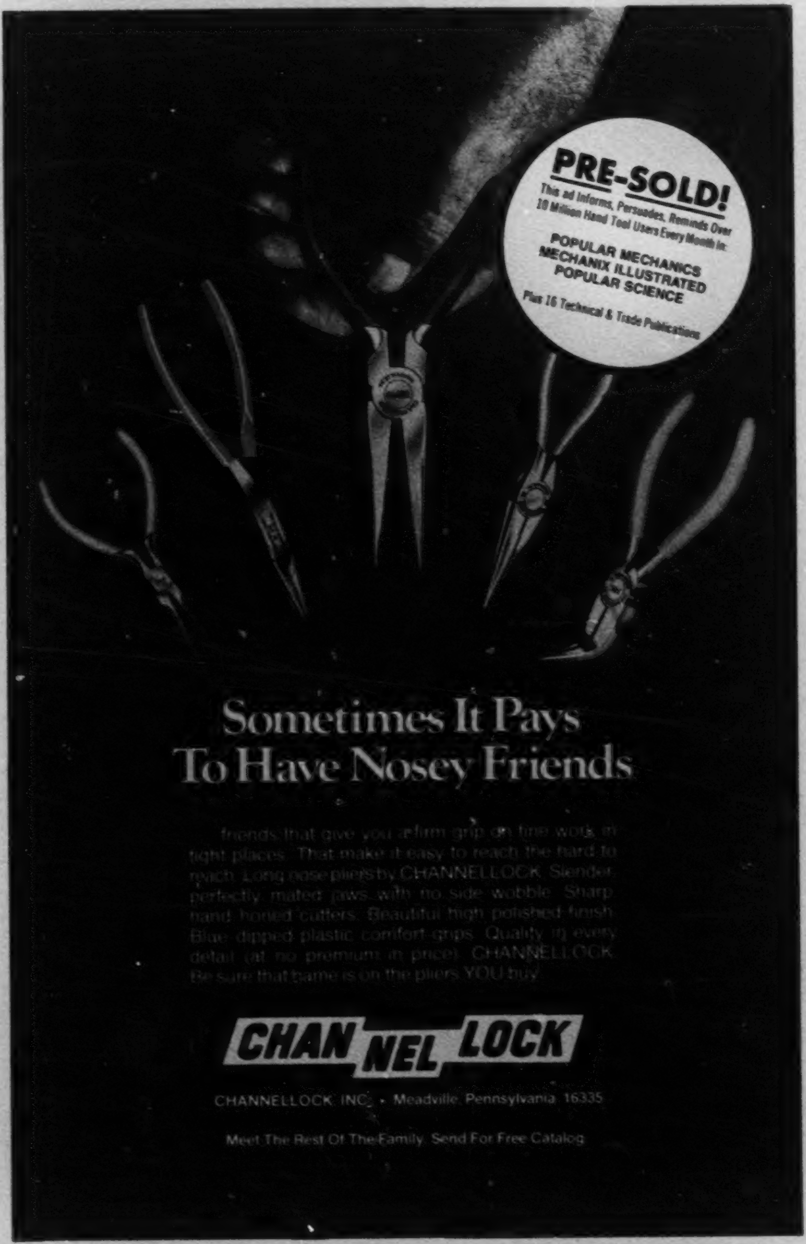
The NIDA-SIDA Industrial Distribution Index for April was up 1.1 points (0.8%), to 134.4, although it remained 11.2 points (7.7%) behind the year-ago mark of 145.6. Despite the rise in the national figure, three of the four regions covered by the *Index* posted losses for the month: the east, down 0.4 points (0.3%), to 140.4; the west, off 2.6 (1.5%), to 165.8; and the south, down 1.5 (1.0%), to 143.5. The midwest reported a gain of 3.3 points (2.9%). All four regions are down from a year ago: the east by 7.5%, the west by 6.2%, the midwest by 9.5% and the south by 6.3% . . . The news remained good on the inflation front in April, with the *NIDA-SIDA Industrial Supply Inflation Index* posting a trivial gain of 0.3 points, rising to 152.9. The 0.2% hike equates to an annualized inflation rate of 2.4%, well below the previous year's reported rate of 7.2% . . . The *SIDA Monthly Sales Trend Report* for March showed a healthy 12.1% rise in sales for the month, narrowing the year-ago gap to a loss of 0.3%. The year-to-date figure is running 0.6% ahead of 1981, and 72% of locations reporting said that their sales showed increases in March compared with February . . . The *ASMMA New Order Index* was down again in March, to 98.9, a drop of 5.2 points (5.0%) from the month before . . . The Federal Reserve Board's *Index of Production Manufactures for Durable Goods* was down slightly in March by 0.6 points (0.5%), to 128.6 . . . The U.S. Commerce Dept.'s list of 12 leading indicators fell again in February, to 124.9, a loss of 2.1 points (1.7%) . . . The National Industrial Belting Assn.s *Quick Pulse Sales Trend Survey* for the first quarter of 1982 shows that members' sales were down 4.0% from the last quarter of 1981, although respondents predicted sales gains of 4.7% in the second quarter. The *Survey* also indicates that sales in the first quarter of this year were down 10.0% from the first quarter of 1981 . . . The American Machine Tool Distributors' Assn. has released its first-ever public edition of the *AMTDA Sales Report*, which for March indicates a drop of 1.8 points (3.1%), to 55.8. The 12-month sales figure, from April 1981 to March of 1982, was off 4.9, to 83.1.

Accountants' group, SBA agree on tactics for small business

WASHINGTON—The National Society of Public Accountants has agreed to provide small businesses with free training and counseling in order to help businesses avoid problems caused by inexperienced or uninformed management. The agreement was reached with the U.S. Small Business Administration.

SBA says that the accountants' group is one of more than 100 trade and professional organizations that have agreed to work with SBA to assist small businesses with management problems. Under the agreement, NSPA will provide its free services for a client when called upon to do so by SBA. The organization, which has more than

[continued on page 21]



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April sales tumble

The monthly sales total in April fell 10% for all distributors, according to *Regional Report* correspondents. When compared to the same month of the previous year, specialists were the hardest hit with a 13% downturn. General liners fared slightly better with a less severe drop of 7%.

Around the country, the sales picture was painted in red ink. Only two regions (South Atlantic and West South Central) claimed sales upturns. Declines ranged from a steep 23% for Michigan distributors to a dip of 6% for those located in the Pacific states.

Year-to-date sales, however, look far more promising. Here, there's more good news than bad, with no regions reporting declines, although individual areas such as Texas and Los Angeles/San Diego show downturns of 9% and 5%, respectively.

The biggest gainers were Indiana, up 24%; Mountain, 20%; Chicago and Massachusetts, each up 14%.

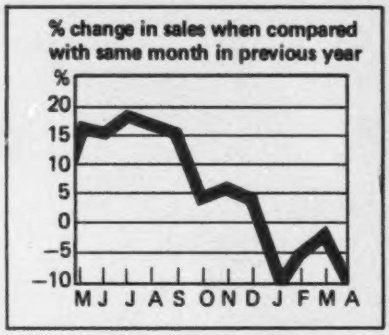
While monthly drops run in accordance with the Federal Reserve Board's index of factory output, the year-to-date increases remain puzzling. For April, the Fed says, factory output fell at a seasonally adjusted rate of 0.6%, following a drop of an adjusted 0.8% in March.

For the year to date, the Fed index is pegged at 140.7% of the 1967 Average, which represents a 7% drop from 1981 highs.

Distributors appear to be holding their own in light of these figures, even after adjustments are made for inflation.□

RECEIVABLES*	April 1982		April 1981	
	Gen.	Spec.	Gen.	Spec.
New England	41.5	42.7	38.9	43.0
Middle Atlantic	42.8	44.6	44.2	46.3
South Atlantic	34.1	35.7	36.0	33.4
East North Central	35.1	43.8	39.1	36.2
East South Central	42.6	60.0	40.3	60.0
West North Central	38.3	38.2	37.9	40.2
West South Central	50.0	0	48.3	0
Mountain	24.5	22.1	32.8	32.4
Pacific	33.2	54.5	33.4	39.2
National	38.0	42.7	39.0	41.3

*Average days outstanding



% change in sales when compared with same month in previous year

Although impressive year-to-date gains continue, monthly totals still slide . . .

SALES BY REGIONS (% change)	April '82 vs. March '82			April '82 vs. April '81			4 mos. '82 vs. 4 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−20	−12	−17	−15	+2	−9	+7	+23	+13
Connecticut	−24	+11	−12	−9	−10	−9	+9	+22	+13
Massachusetts	−18	−15	−17	−19	+9	−8	+8	+23	+14
MIDDLE ATLANTIC: NY, NJ, PA	−20	−18	−19	−16	−12	−14	+16	0	+8
New York Metropolitan Area	−17	−18	−18	−3	−11	−8	+2	0	+1
Upstate New York	−16	−14	−15	−9	−10	−9	+7	0	+4
Pennsylvania	−24	−20	−22	−27	−15	−22	+7	0	+4
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−12	0	−7	+7	+1	+5	−3	+4	0
SC, VA, WV	−13	+6	−5	+15	+8	+12	−8	+7	−2
Georgia-Florida	−12	−1	−7	−14	0	−7	+13	+4	+9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−8	−19	−14	−15	−22	−19	+10	+3	+6
Indiana	0	+20	+20	0	+1	+1	0	+24	+24
Wisconsin	−14	−7	−12	−13	−18	−15	+5	+4	+5
Chicago	+5	−37	−23	−25	−19	−21	+20	+11	+14
Michigan	+15	−24	−14	−7	−28	−23	+16	−6	−1
Ohio	−10	−23	−17	−16	−24	−20	+8	+6	+7
EAST SOUTH CENTRAL: AL, MS, KY, TN	−7	+4	−2	−19	−23	−21	+15	+10	+13
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+19	−18	−9	−6	−7	−7	+11	+7	+8
WEST SOUTH CENTRAL: AK, LA, OK, TX	+44	−44	+26	+31	−22	+20	+10	+18	+12
Texas	+6	−44	−19	−1	−22	−12	−9	−9	−9
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−27	−19	−23	−7	−37	−22	−7	+46	+20
PACIFIC: CA, OR, WA	−10	−10	−10	−4	−8	−6	+3	+1	+2
L.A.-San Diego	−14	−8	−9	0	+2	+1	−5	−5	−5
Oregon-Washington	−5	−11	−9	−8	−12	−10	+10	+5	+7
U.S. TOTALS	−9	−15	−12	−7	−13	−10	+8	+7	+8

36th Annual Survey of Distributor Operations

'81 sales are up, but profits skid

Record level interest rates and recession delivered one-two punches to profits, costs. Operational plans call for retrenching, delaying EDP purchases, and hoping that 1982 will signal the start of a turnaround.

Industrial distributors managed to dig out a healthy 15% sales increase in 1981 over 1980, despite a generally weak economy and an officially declared recession in the fourth quarter. Distributor performance outpaced manufacturing and the Federal Reserve Board's *Index of Industrial Production*, which registered a 2% rise for the same period.

However, inflation combined with near record interest rates hung on throughout most of the year to seriously damage the industry's bottom line. Net profit after tax slid from 3.4% in 1980 to 2.6% in 1981 for general liners; specialists dropped from 2.7% to 2.5%.

Faltering profit picture

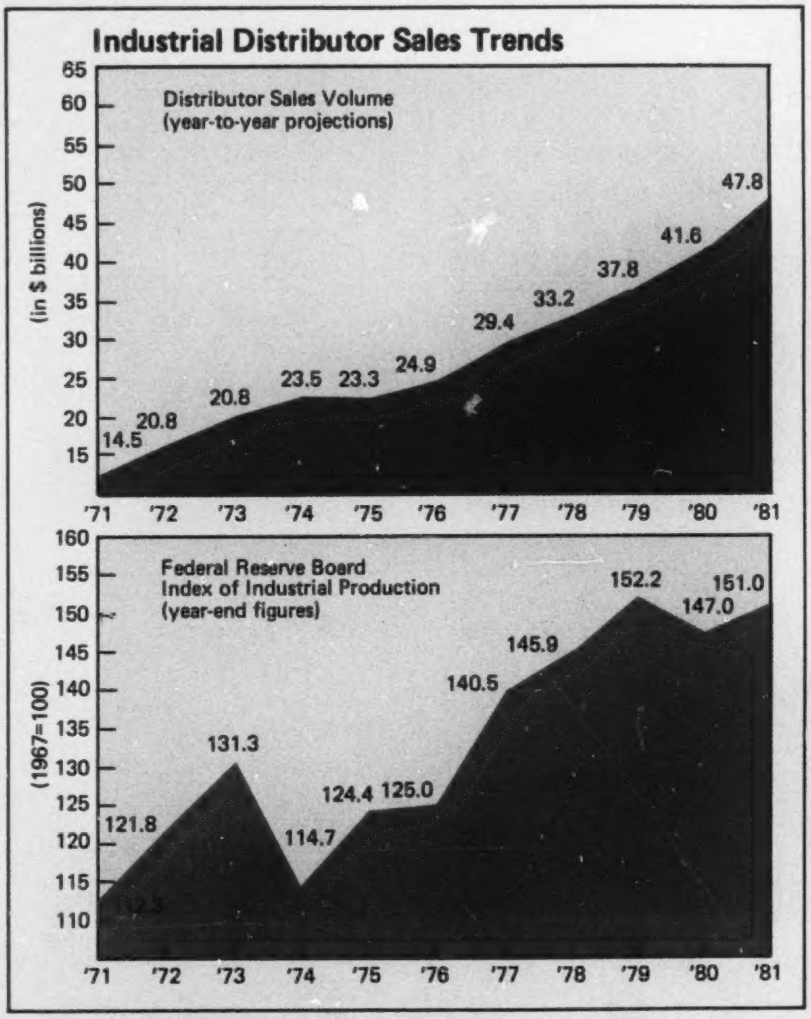
Gross profit was a mixed bag with more downs than ups. For general liners, gross profit on sales from stock receded from 1980's total of 22.5% to 20.4%. Specialists fared better with a small increase, rising from 20.9% to 21.4%. Items normally stocked but ordered as specials showed marginally greater resistance to profit erosion for general liners and declined only 0.6% to 3.3% of total sales. Specialists witnessed only a 0.3% drop to 3.8% of total sales.

In the category of non-stock items, both general liners and specialists posted increases in gross profit. Though small in terms of size of increase and as a percentage of total sales, the rise did help guard against even more red ink being splashed on the bottom line. The figures for specialists are 3.6% in '81, up from 3.3% in '80; and for general liners 5.4%, up from 4.6%.

Gross on direct shipments as a percent of total sales dipped 1% for general liners to 2.6%, and increased 0.1% for specialists to 3.5%.

Rounding out the profit picture was a before-tax net that inched downward from 4.3% in 1980 to its current level of 3.7% of total sales for all distributors.

One reason for erratic profit performance is that distributors were less successful in curtailing operating expenses than in years past. Some even showed astounding in-


Industrial Distributor Sales Trends

The Year at a Glance

- **Gross profit: general line up, specialists up**
- **Operating costs: general line even, specialists lower**
- **Before-tax net: general line down, specialists up**
- **PPR: general line strengthen, specialists strengthen**
- **Collections: general line up, specialists up**

creases, none more so than the 11% jump for specialists with less than $2 million in annual sales. Next came general liners with gross sales between $4.0 million and $5.9 million with a 2.9% hike to 14.5% of total sales.

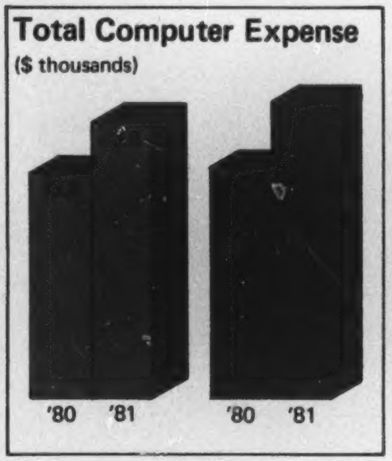
The biggest decreases in operating expenses came from specialists in the $6-million-plus size. Here the total dropped 3% to 13.7%. General liners with less than $2 million in annual sales placed second, checking in with a 1.2% expense reduction to 18.5% of total sales. Other increases and decreases were negligible.

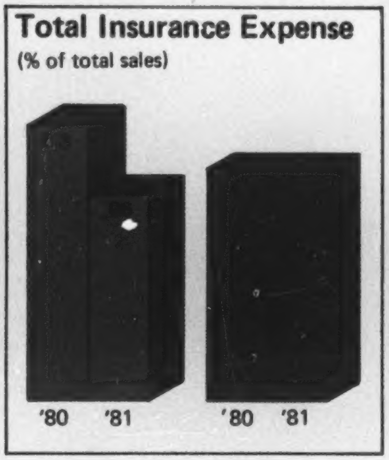
Perhaps 1981's lackluster profit and cost picture colored distributor projections for 1982. While the median forecast for all distributors estimates that sales will be up 18%, a full 30% predicted that sales will continue in a recessionary decline. Those forecasting doom and gloom say that sales will be off 16.4%.

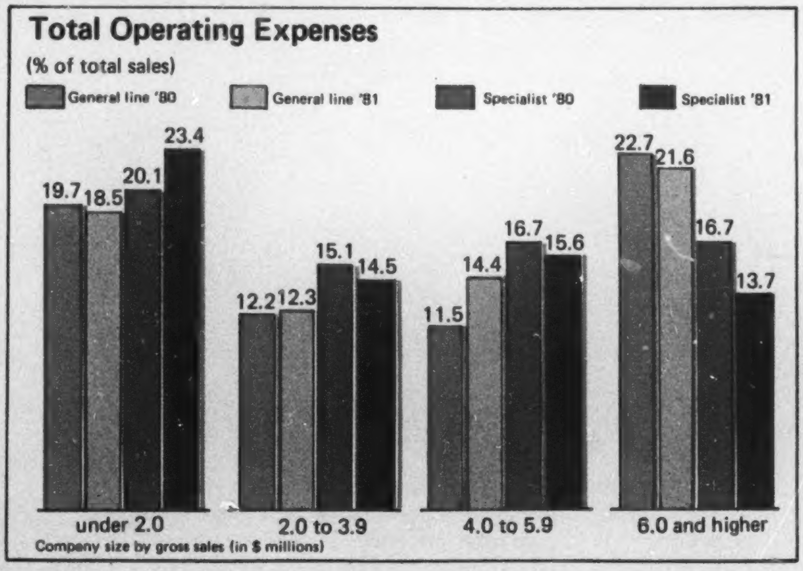
On the positive side, however, 20.2% of all distributors think sales will be up 5% to 9%; 27.5% believe they'll see increases of between 10% and 14%; 16.2% are betting on a 15% to 19% upturn, and 13.1% are looking for a surge of 20% to 24%. Taken as a whole, the picture is characterized by optimistic, if not overjoyed, tones.

Prices, though, exhibit a much stronger stabilizing trend in 1981 than in 1980. In the previous edition of this survey (March 1981) only 4% of the general liners and 9% of the specialists expected price increases of less than 7%. This year, 56% of the general

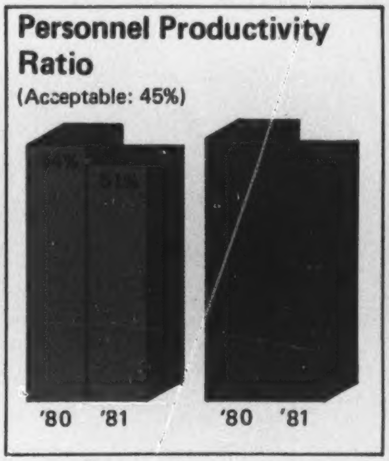
Costs

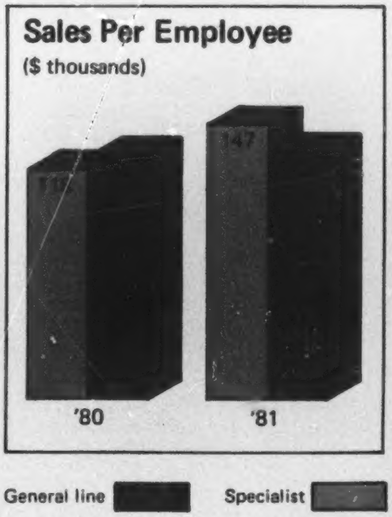


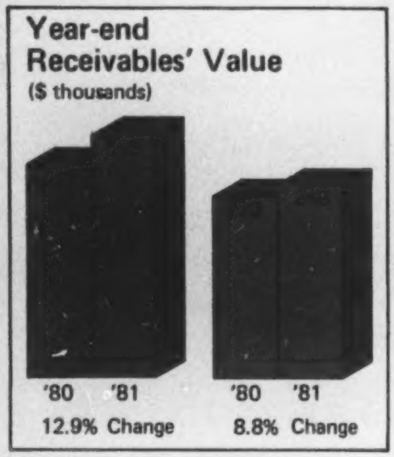


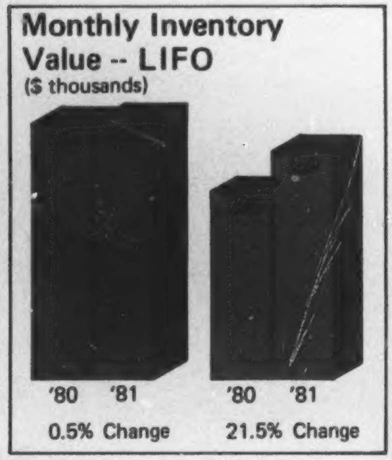


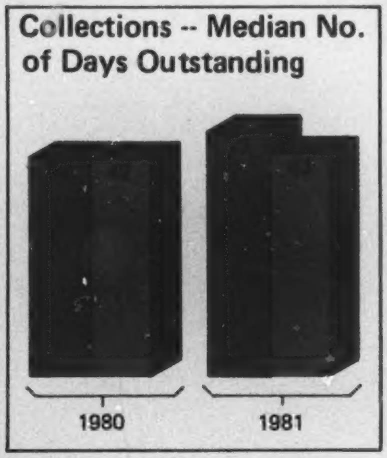
Personnel



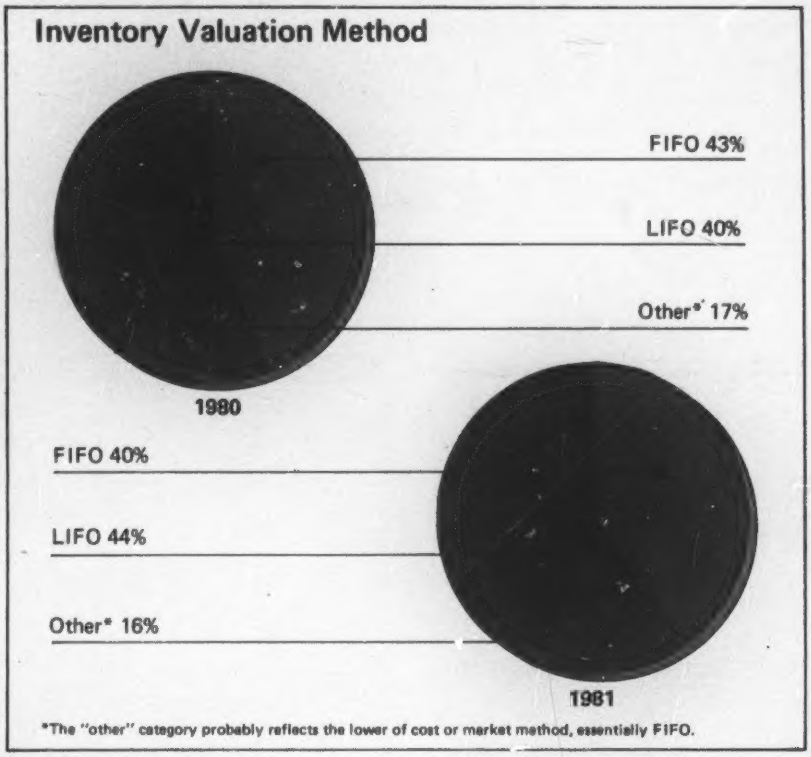




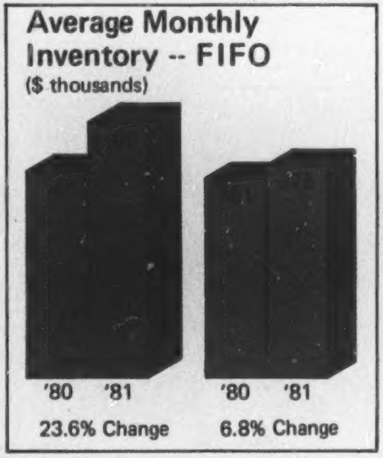




■ General line ■ Specialist



*The "other" category probably reflects the lower of cost or market method, essentially FIFO.



liners and 60% of the specialists predict prices to check in at this level.

Ten percent of the general liners and 10% of the specialists predict price increases of 11% and above. The data indicate that distributors feel, in accordance with current Administration fiscal policy statements, that inflation is under control, although recession still rages.

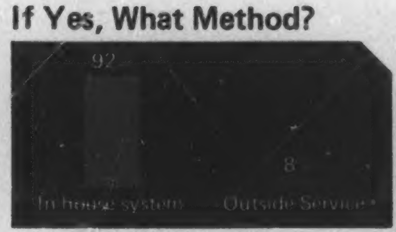
Productivity up

Yet even with sagging profits, employee productivity is definitely picking up steam. Sales per employee climbed 25% for general liners in 1981 to reach $147,000. Specialists, however, did not fare as well, and posted only a 1% increase, with the dollar figure reaching $129,000. Reversing a pattern of many years, sales per employee in general line firms increased more, and to a higher plateau than those of specialists.

Gross profit per employee is also on the upswing. A full 10% rise was clocked in general line distributorships—$51,000 for 1981, up from $46,000 in 1980. In keeping with the sales-per-employee trend discussed above, specialists finished the year with a more modest 2.3% increase. The

Computer Use

If Yes, What Method?



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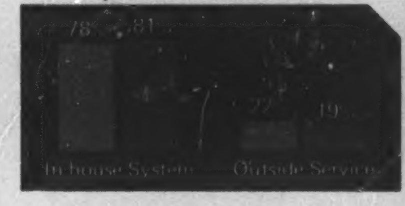

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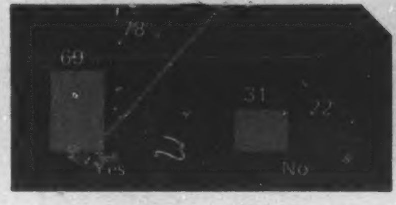
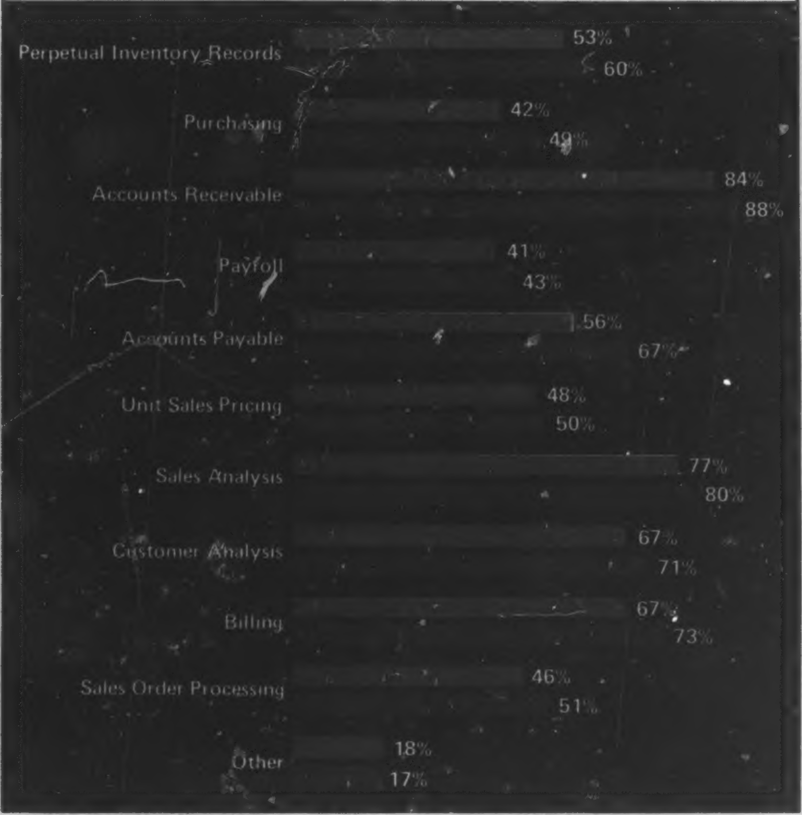
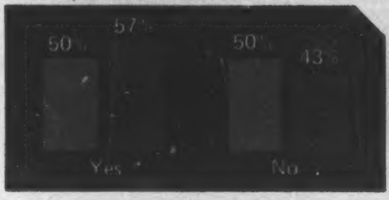


▨ 1980 ▨ 1981

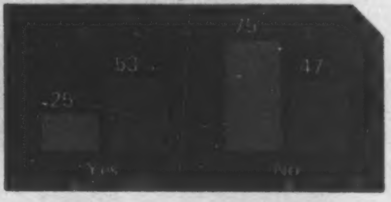
Computer Applications



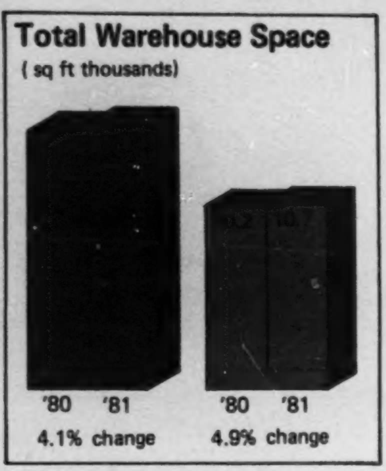
Computerized?

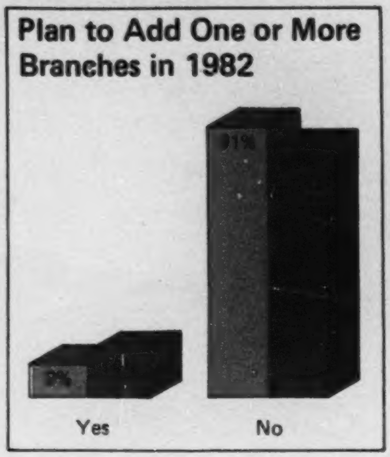


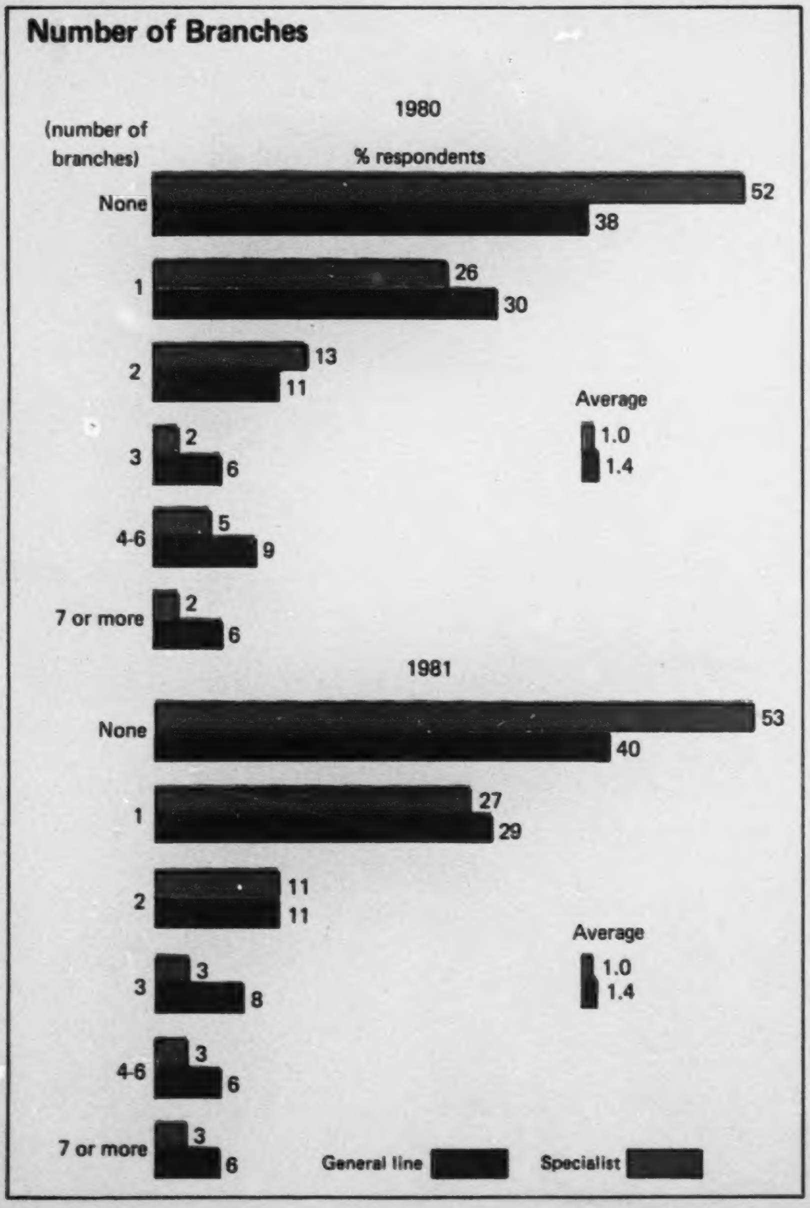
Plan to Computerize?



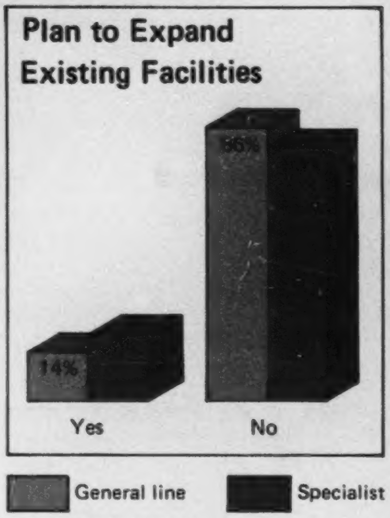
▨ 1982 ▨ 1983







Facilities



1981 figures of $43,000 compared with $42,000 in 1980.

The best indicator of employee productivity supports other figures showing productivity on the rise. Called the personnel productivity ratio, the calculation charts a positive drop in the percentage. For general liners the PPR fell from 54% to 51% in 1981, and specialists demonstrate a strengthening from 55% to 52%, which helped offset sagging sales.

PPR is a formula devised by consultant George C. Webster to measure the productivity of distributors and wholesalers. The formula:

$$\frac{\textbf{Total Compensation}}{\textbf{Gross Profit \$}} \times 100$$

The acceptable range is 45%, and the higher the number, the lower the worker performance. But since figures used here are medians, half of all distributors will find themselves working at higher productivity levels, and half below those posted here.

Personnel toe the line

With distributors beefing up the in-house performance of existing employees, few were added throughout the industry. Totals for 1981 show that general liners added a mere 0.2 persons, and specialists check in with a 0.8-person increase. Both general liners and specialists mark a drop in outside sales power, with increased phone sales forces compensating for the decline.

This trend should remain fairly consistent throughout 1982. In 1980, 71% of the general liners and 60% of the specialists surveyed planned to increase staffs during 1981. Those polled this year indicate that only 42% of the general liners and 47% of

Sales and Profits

the specialists plan a swelling in the personnel ranks. Those with staff additions on the books anticipate overwhelmingly that the preference is for adding outside salesmen. Eighty-eight percent of general liners will add to outside staffs, while 52% expect to put on more inside men. For specialists, the numbers show 88% opting for more outside sales power, and 59% for inside.

Expansion curtailed

With prolonged recession and still high interest rates, it's not surprising that few distributors plan to open new facilities. Only 9% of the general liners and 14% of the specialists intend to launch additional outlets for 1982. When looked at in terms of dollar volume, the recurring pattern of big operations getting bigger appears. In the specialist category, 14.6% of those in the $6-million-plus annual sales range plan new branches, as do 35.3% of those grossing $4.0 million to $5.9 million; 17.1% in the $2.0 million to $3.9 million range, and 18.3% for those with less than $2 million in annual sales. For general line firms, the figures are generally lower: $6 million plus, 14.3%; $4.0 million to $5.9 million, 40.0%; $2.0 million to $3.9 million, 3.8%, and less than $2 million, 4.3%.

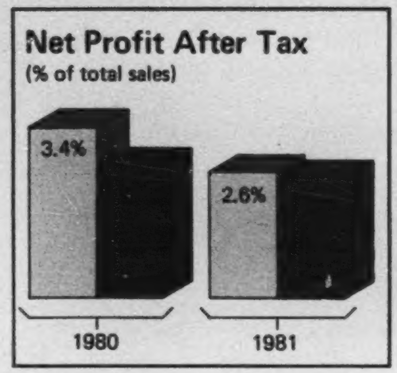
While interest in acquisitions is about par with previous years (31.8% of general liners and 29.7% of specialists approached with an offer in 1981), it's significant that a great deal more interest is being expressed in large, multibranch houses. Specialists and general liners in the $6-million-plus category report that, respectively, 56.5% and 55.6% were approached last year. Much less enthusiasm appears to be shed over single-unit operations. For example, in the under-$2-million sales category, 27.1% of the general liners and 23.3% of the specialists say they were approached.

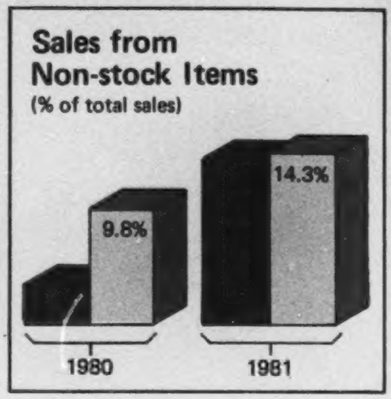
Total warehouse space remained fairly consistent with totals of the previous year. General line distributors chalked up a 4.1% increase, a rise from 14,500 sq ft to 15,100 sq ft. Specialists boasted a slightly larger gain, 4.9%. Their figures for 1981 are 10,700 sq ft, compared with 10,200 sq ft in 1980. Only a handful of distributors—14.3% of general liners and 19.9% of specialists—plan to add to existing facilities.

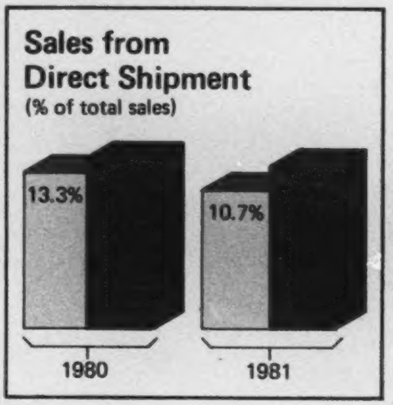
Compensation drags

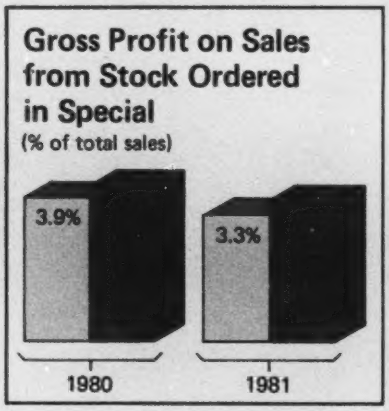
Throughout 1981, compensation staggered along, barely increasing from 1980 levels. This, however, is hardly surprising in a year with eroding profit performance. General liners chalked up the highest increase, 5%, with total compensation reaching $433,000. Specialist totals remained pegged at last year's level.

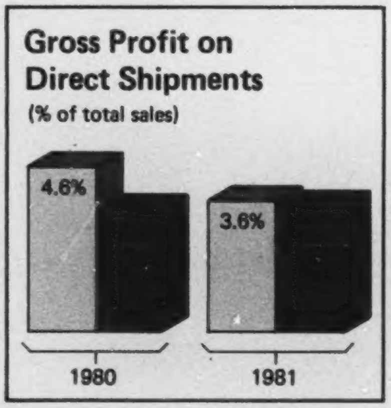
▨ General line ■ Specialist

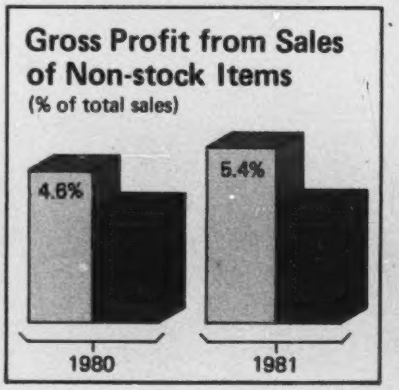

Net Profit After Tax
(% of total sales)

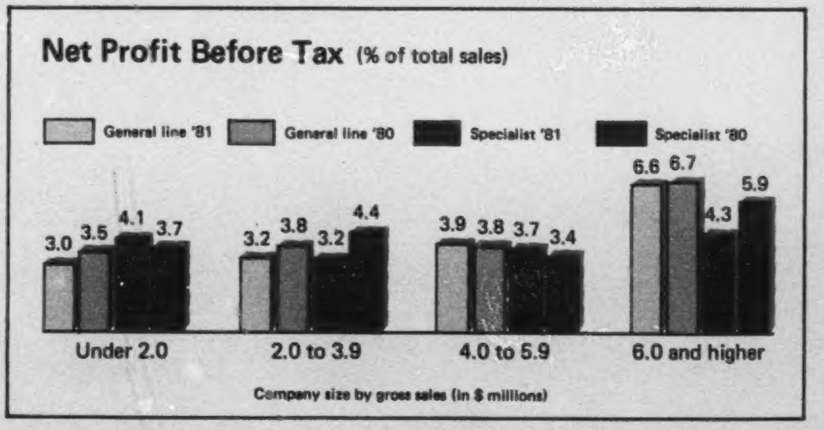

Sales from Non-stock Items
(% of total sales)


Sales from Direct Shipment
(% of total sales)


Gross Profit on Sales from Stock Ordered in Special
(% of total sales)

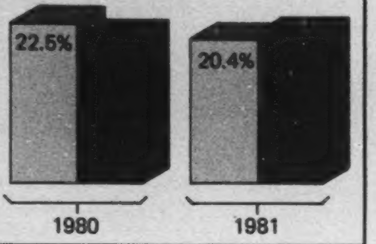

Gross Profit on Direct Shipments
(% of total sales)


Gross Profit from Sales of Non-stock Items
(% of total sales)

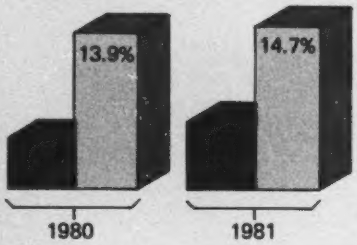

Net Profit Before Tax (% of total sales)

Company size by gross sales (in $ millions)

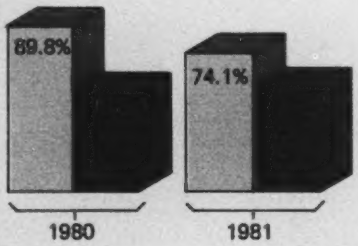
Gross Profit on Sales from Stock
(% of total sales)



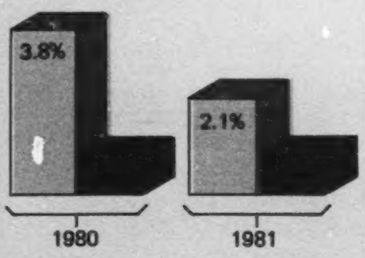
Sales from Stock Ordered in Special
(% of total sales)



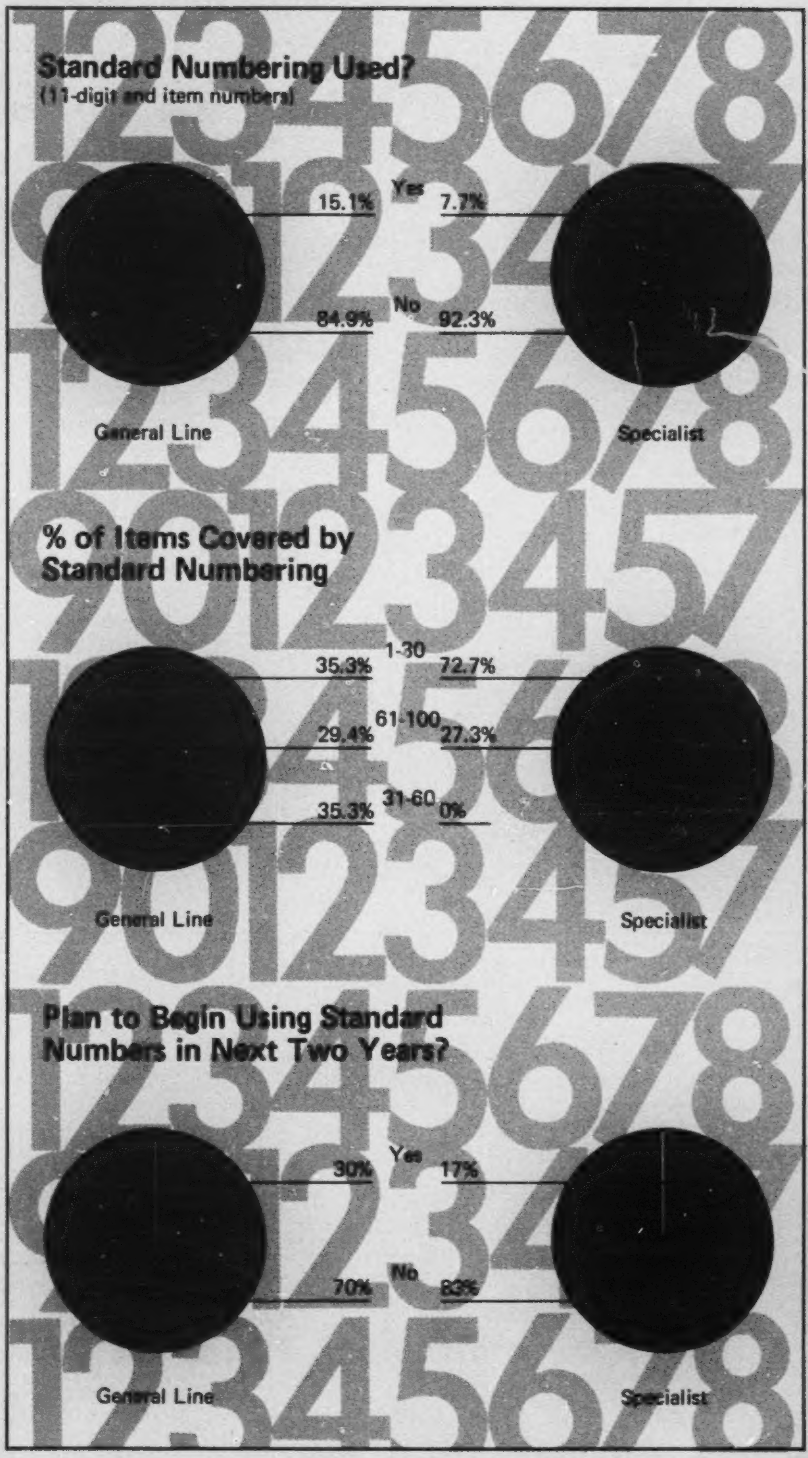
Sales from Stock
(% of total sales)



Sales through Systems Contracts
(% of total sales)



Standard Numbering



Standard Numbering Used?
(11-digit and item numbers)

% of Items Covered by Standard Numbering

Plan to Begin Using Standard Numbers in Next Two Years?

But when totals are looked at by region, large fluctuations become apparent, reflecting the economic health of each region. They are:

- Northeast up 5% to $359,000.
- South Atlantic up 14% to $464,000.
- North Central down 10% to $409,000.
- South Central up 7% to $563,000.
- West down 16% to $393,000.

In another expense area, total insurance costs for general liners actually fell 0.34% of total sales to 0.96%. Specialists maintained previous levels of 1.1% for 1981.

Writhing inventories

For both general liners and specialists, inventory lurched about, and the picture changes dramatically when LIFO and FIFO totals for the two groups are compared. In 1981 LIFO general liners reported a modest 0.5% increase in monthly valuation, while specialists came up with an astounding 22% leap, to finish at $406,000 and $339,000 respectively. FIFO distributors, on the other hand, reversed the proportion, with general liners posting a 24% hike to $450,000, and specialists a mere 7% rise to $375,000.

Receivables also took a giant step upward, with general liners reporting a 12.9% dollar volume increase and reaching $306,000, an all-time high. Specialists, too, set a record of $248,000, an 8.8% jump.

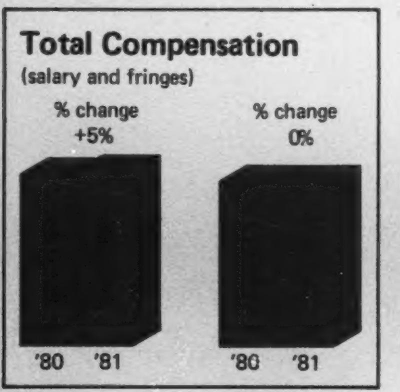
Those with the biggest increases were the West and Northeast regions, posting 20% and 22% hikes, respectively.

The average age for accounts receivable for the year also witnessed activity. General line receivables proved to be the less stable of the two. They increased from 43 days to 47. Specialists were more static, running up from 42 to 43 days.

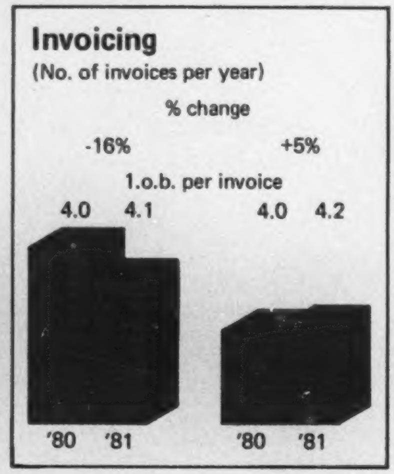
LIFO on the rise

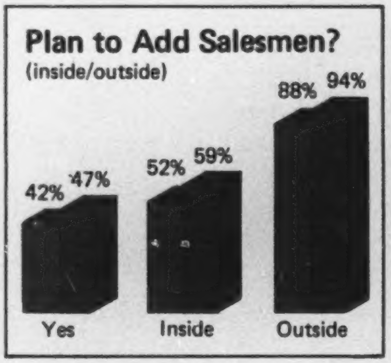
As a more accurate method of inventory valuation, LIFO continued to make strong gains into FIFO territory. In 1981, 44% of all distributors were using LIFO, whereas in 1980 the number was 40%.

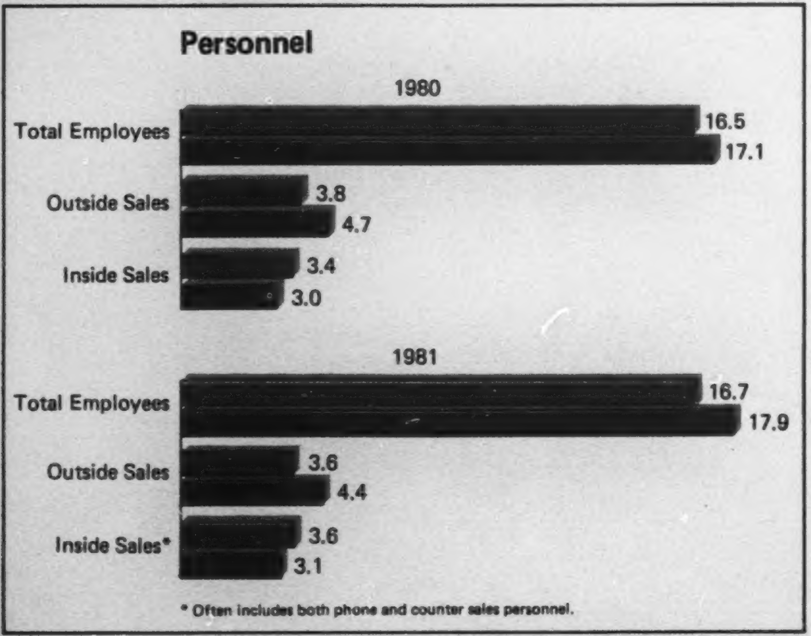
Of those distributors not already on LIFO, 23.6% of the general liners and 25.9% of the specialists plan to make the



▇ General line ▇ Specialist







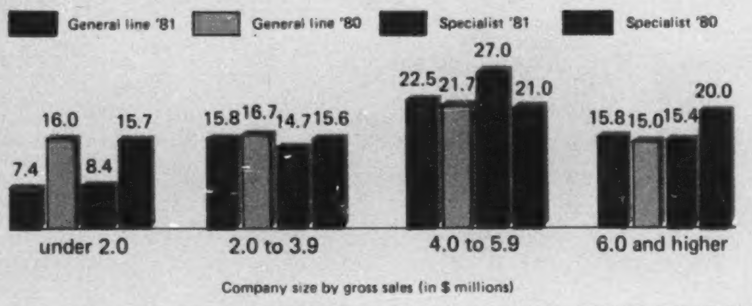
Definitions

Median: Generally considered the best way of preventing distortion in a sample that might otherwise be dominated by large or small companies. For any given performance measure, the numeric values of the range are arrayed from the strongest to the weakest. The figure that falls in the middle of the array is the median. The firms listed above it had stronger performances; the ones below it, weaker. Unless otherwise noted, median figures are used in all graphs.

Average: The mean obtained by adding different figures or values together and dividing the sum by the number of qualities. It is used in this survey where it has more value than the median or as a comparison point to the median.

General line: Distributorships in which no one major product category (i.e., cutting tools, power tools, bearings) constitutes 50% or more of total sales.

Specialists: Distributorships in which one product category consistently accounts for 50% or more of the total sales figure.



Return on Investment (% return on net worth)

On using this survey

Through computerized analysis and collection of the mass of information supplied by distributors throughout the country, ***ID*** has presented the results in several different formats to allow individual firms to compare their own performances with national and regional norms. Since each year's survey is culled from a different group of respondents, comparisons between one year's report and another should not be made.

The industry sales line shown at the start of this report is taken from Census Bureau data on the performance during that period in Standard Industrial Classifications 5084, 5085 (sales of industrial supplies and equipment) and revised according to actual dollar figures submitted by respondents. The remaining data presented in the graphs and tables are from the current group of respondents, who supplied 1980 and 1981 figures for comparison.

Survey results have been presented here in terms of both medians and averages, where applicable. It should be noted that a median is the better indicator of an individual distributor's place in relation to others', although the average is useful in determining industrywide placement. Of the general line firms, 45% had sales of less than $2 million; 25%, $2.0 million to $3.9 million; 9%, $4.0 million to $5.9 million, and 21%, $6 million and more. Of the specialists, 46% reported sales of less than $2.0 million; 26%, 2.0 million to $3.9 million; 11%, $4.0 million to $5.9 million, and 17%, $6 million and higher. Fifty-nine percent of the total number of respondents put themselves in the category of specialists.

Key formulas

Percent of total sales: Individual measure (i.e., sales from stock) divided by total sales. Result is multiplied by 100.

Sales Per employee: Total sales divided by the number of employees.

Gross profit per employee: Gross profit, in dollars, divided by number of employees.

Total operating expenses: Costs of selling, delivery, salaries, warehouse, EDP, insurance, land and building occupancy, general and administrative.

Inventory turnover: Stock sales at cost divided by average monthly inventory value.

switch sometime in the current year.

Another previously stable category that is beginning to show new life is the amount of gross profit derived from cash discounts, which typically remains constant year after year. Possibly due to generally eroding gross profits and supplier cutbacks that could blow the figures out of proportion, gross from cash discounts fell from highs of 3.1% in 1980 to 2.7% in 1981 for general liners. Specialists' totals dipped from 1.9 to 1.8 for the same period. And while most distributors predict that the outlook for cash discounts in 1982 will remain the same, 24.7% of the general liners and 23.7% of the specialists think there will be less.

EDP growth continues

In the area of computerization, EDP use again picked up steam last year. Totals for general liners currently computerized leaped from 43% in '80 to 57% in '81. Specialists remained at previous-year totals with a 50% computerization rate.

According to distributor projections, this trend will strengthen. The response from asking about future computer plans: 25% of those not computerized plan to do so in '82, but 53% said they will take the plunge in 1983. This clearly represents a lackluster projection for sales in 1982, and the belief that the economy will pick up steam more fully in 1983. Ninety-two percent of those planning to computerize will choose an in-house system.

Of those already computerized, the overwhelming choice is for in-house systems. And following the pattern of recent years, more in-house systems will be added than outside services. Here are the totals: '80, 78% in-house, 22% outside; '81, 81% in-house, 19% outside.

On-line systems, generally considered the most sophisticated and versatile EDP approach, dominate the computer scenario. In 1981 an increase of 9% in the on-line ranks pushed the total to 78% of all units.

Also, of those fully computerized, 54% of the general liners and 60% of all specialists had to expand or replace their original equipment. Additionally, 60% of those computerized installed their equipment in the years 1978 through 1981. The total for '81 is 16.6%.

As computer systems age and distributors get more experience working with them, more and more should start experimenting this year with electronic order entry. Right now, 10% of all distributors are using it with their customers, and 15% are using it with their suppliers.

For most distributors, standard numbering remains a dead issue. Only 15.1% of general liners and 17% of the specialists plan to use it within the next two years.

1982 outlook

Although most distributors remain less than enthusiastic about 1982 and the year ahead, they are not pessimistic. To begin with, operating expenses have been pared to the core, even with perceptible rises for some distributor categories. These resulted from previous slashing which left operational areas cut too close to the bone.

Also, while personnel shows little growth for the industry in general, it's worth noting that new interest is being taken in the area of inside sales. Make no mistake about it, outside sales additions are still preferred by distributor management, but inside sales increases have made inroads on the traditional outside stronghold.

Computerization should further strengthen the profit picture in years to come. More than half of all distributors are now using EDP systems. And roughly two-thirds of those utilize computers to track inventory, a vital expense area which can often make or break a bottom line.

While distributors can do nothing about the biggest influence on their businesses—the economy—they have taken every step necessary to weather recession. When the economy picks up, the industry is certain to ride upward right along with it. □

Industrial Distribution

August 1982

Hotline:
Political action
intensifies as
budget deficit soars

8/9/82
C6185-2

Contents

August, 1982
Vol. 72, No. 8/72nd year
A Morgan-Grampian publication

Industry News

5 Economy, stuck in low gear, remains mired in recession; Analysts say this is the decade for metalcutting tools, others: Reagan signs Prompt Payment Act into law; Acquisitions; Seminars & meetings; Changes; Indicators; Metalworking groups form coalition to battle unfair trade; 'Motivate, educate and innovate' key words for NIBA fest; Thorsen Tool, China in negotiations over tool import contract.

Cover Story

35 **How much warehouse mechanization?**
The problem isn't the comparative capability of man vs. machine. Instead, it is the problem of combining man's mobility and judgment with the infinite capabilities possible with modern machine technology.

Feature articles

41 **Hotline/Political action intensifies as the budget deficit soars**
The message to Washington is clear: Cut spending and reduce deficits or face political consequences. Distributors are arming themselves to take a strong political stand for the November '82 elections.

47 **Strictly for Salesmen . . . Out of the frying pan . . .**
Hotel fires happen, and they can kill you. Protect yourself from injury—or worse—by following a few simple safety rules.

49 **Business is communications**
Hundreds of communiques of all types are sent and received in a distributorship daily. The problem: too many communiques fail to take effect.

51 **Computer Update**

55 **How to sell . . . coated and bonded abrasives**

58 **NAW's Washington Action Network hits the vital pressure points**
Lobbying has moved out of smoky rooms and into the space age as an association explores the marriage of EDP and politics.

Marketing/Operations Ideas

60 Distributor promotes customer service with seminars; Manual hails new breed of representatives; Versatile sort system controls material flow; manual details fixed limit gaging basics; Free newsletter issued for distributors only; Free plans offered for do-it-yourself storage cabinet for power tools; Wholesale industry analyzed in report; Help customers avoid costly downtime; Operations costs scaled with weighing system.

Departments

9 Header Service Card
23 Distributor Dates
25 Washington Report
28 Readers Write
31 Regional Report
33 Like It or Not
68 We Were There
69 New Products
75 Reader Service Card
77 In Print
80 Appointments
82 Classified Advertising
83 Advertiser's Index
84 Talk of the Trade

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Economy, stuck in low gear, remains mired in recession

NEW YORK—Indicators in the nation's economy remain mixed, pointing neither to recovery nor depression, but only to the same sort of economic stagnation that has plagued the U.S. for many months. The National Assn. of Purchasing Management's *Report on Business* for May and June indicates that an improvement in the economy must await the approval of the 1983 Federal budget, a decline in interest rates, and a renewal of consumer spending born of last month's tax cut.

The Research Institute of America notes few bright spots in the country's economic picture, although the institute's publication, *Recommendations*, optimistically points out that while "signals are too mixed to detect a clear trend, there's more good news than there has been for awhile." The good news, as of May: The *Index of Leading Economic Indicators* had posted a solid gain for that month, the *Index*'s first rise in a year; automobile sales were up an average 18% in the first 20 days of the month over April figures; the April trade deficit was the smallest in seven years, despite U.S. exports having fallen to June 1980 levels; and an Institute prediction that, with the export picture looking relatively bright, the U.S. would see a balance-of-payments surplus of nearly $10 billion come December.

For its part, NAPM sees only one piece of good news: Price increases are continuing to slow. However, the *Report on Business* is beginning to detect a subtle trend of slowing deliveries from suppliers, a sign that manufacturers are getting a bit more busy. If this pattern continues, says NAPM, it will indicate a growing strength in the economy.

The bad economic news abounds, though. The Research Institute says that new factory orders were down 2.3% in April after gains in February and March, a loss that wiped out the gains in those two months. New orders for capital goods in the non-defense sector were down 5% in the same month; new home sales were down 15.3% in April, 32.5% below the year-ago level, while older-home sales were off 4.5%. *Recommendations* calls continuing high interest rates "the root of all the other woes," and points out that "very few" banks followed a major lender's lead in dropping the prime rate to 16% in May. Another big problem, says the Institute, is the uncertainty caused by Federal budget problems and high deficits, and Congress' inability to reach agreement on either. Resolution of this uncertainty, says *Recommendations*, "is the key to the recovery's strength and endurance. As long as it persists, gains against inflation won't be believed. Until business and the money markets do, the economy will stall."

NAPM says in its *Report* that figures on production, incoming new orders and employment continue to worsen, although declines in those indicators were not as severe in June as in May. However, NAPM adds, the lack of liveliness in its new-order indicator means that production and employment levels will remain depressed. □

NAPM *Report on Business*
Nine-month trend in leading indicators
October 1981-June 1982

The responses below are from the purchasing managers of 250 industrial companies throughout the U.S.

(Percentage of respondents reporting)

	Inventory levels		
	Higher	The Same	Lower
June	10	40	50
May	6	47	47
April	7	54	39
March	12	43	45
Feb.	12	50	38
Jan.	16	38	46
Dec.	13	40	47
Nov.	16	47	37
Oct.	19	52	29

	Production		
	Better	The Same	Worse
June	16	47	37
May	12	51	37
April	20	51	29
March	19	46	35
Feb.	13	57	30
Jan.	17	45	38
Dec.	9	45	46
Nov.	7	53	40
Oct.	15	48	37

	New Orders		
	Better	The Same	Worse
June	18	47	35
May	13	49	38
April	21	46	33
March	24	43	33
Feb.	17	48	35
Jan.	19	41	40
Dec.	15	40	45
Nov.	8	46	46
Oct.	18	42	40

How far ahead are PAs buying industrial supplies?

	Hand to mouth	30 days	60 days	90 days	180 days and longer
	Production materials				
June	20	39	26	8	7
May	23	36	26	8	7
April	18	38	29	8	7
March	13	42	27	12	6
Feb.	12	36	32	12	8
Jan.	16	35	31	11	7
Dec.	15	36	29	12	8
Nov.	14	32	31	13	10
Oct.	12	35	27	14	12
	MRO supplies				
June	50	31	13	4	2
May	48	35	13	2	2
April	44	38	12	4	2
March	42	35	17	4	2
Feb.	38	43	12	5	2
Jan.	41	37	15	4	3
Dec.	39	42	12	4	3
Nov.	38	39	15	5	3
Oct.	40	38	12	7	3
	Capital expenditures				
June	15	5	8	14	58
May	21	5	9	13	52
April	18	5	8	14	55
March	15	5	10	13	57
Feb.	13	6	4	17	60
Jan.	14	4	5	15	62
Dec.	17	3	3	14	63
Nov.	15	3	5	13	64
Oct.	12	5	3	13	67

Source: National Assn. of Purchasing Management

Analysts say this is the decade for metalcutting tools, others

NEW YORK—The marketing research firm of Frost & Sullivan, Inc., sees good times ahead for makers and sellers of metalcutting tools, small compressors and vacuum pumps, and industrial energy controls. Frost & Sullivan recently released a series of optimistic research reports on prospects in those lines.

The research firm says that domestic manufacturers' shipments of metalcutting tools will rise from $2.3 billion last year to $2.9 billion in 1985 and $5.2 billion by 1991, as expressed in constant dollars. Unit sales of such tools last year rose to 1.1 million. Nonelectrical machinery industries proved to be the largest market for metalcutting tools in 1981, says Frost & Sulli-

[continued on page 6]

Indicators

The recession grew worse in May, according to the *NIDA-SIDA Industrial Distribution Index* for that month. The *Index* dropped a whopping 10.9 points (8.1%) to 123.5 in May, its lowest mark since February 1979 and 16.7 points off the *Index*'s year-ago pace. All four regions of the country posted losses in their monthly indices. The east was down 14.5 points (10.3%), to 125.9; the midwest, down 13.5 (11.4%), to 104.7; the west, off 9.1 (5.5%), to 156.7; and the south, down 2.9 (2.0%), to 140.6 . . . *The NIDA-SIDA Industrial Supply Inflation Index* saw a minor rise of 0.8 points (0.5%) in May, climbing to 153.7, 7.0% above the year-ago figure. The May inflation rate equates to an annual figure of 6.5% . . . *The SIDA Monthly Sales Trend Report* for April and May paint a bleak picture, with monthly sales figures down 8.3% in April and another 6.6% in the following month. For April, year-ago sales figures were down 7.0% and year-to-date sales were off 3.6%; in May, the year-ago mark was off by 11.9%, while the year-to-date figure was down by 5.9% . . . The National Welding Supply Assn.'s *Welding Supply Index* shows that while purchases from distributors of those supplies were up 9.0% in March from the month before, those sales fell 10.6% in April and another 5.2% in May. The 138.6 *Index* achieved in May matches that of December 1980 and is 7.8% off the year-ago mark . . . The National Fluid Power Assn. reports that hydraulic product orders were up 3.1% in March but down 3.9% in April; pneumatic product orders were off 8.1% in March and 4.1% the following month. Shipments of hydraulic products were up 1.6% in March but down 0.8% in April, according to revised figures; pneumatics were off 7.8% in March and 8.8% in April. Total orders were down 0.9% in March and 4.4% in April; shipments were down 2.0% in March and 0.8% the following month . . . The Material Handling Institute says that February orders totaled $424.3 million for material handling equipment (up 13.1% from the year-ago figure), but that March orders fell to $330.2 million, down 37.0% from March 1981. Shipments were running 21.5% ahead of 1981 in February, but by March they were running 5.1% behind the year-ago mark. Year-to-date shipment figures are 3.5% better than 1981's, but orders are down 16.1% . . . The Copper & Brass Servicenter Assn. says that shipments of copper and brass mill products rose 8.9% in March, dropped 10.3% in April and another 17.3% in May. During that two-month span, inventories climbed from 3.8 to 4.8 months . . . The National Machine Tool Builders' Assn. reports that orders for new machine tools were down 17.4% in March, up 11.6% in April and down 34.3% in May. Shipments, which in May were running at a rate almost three times that of orders, were up 15.0% in March, down 26.2% in April and down another 2.5% in May. The industry's tool order backlog fell to $2.3 billion in May, representing about eight months' worth of shipments at the May rate . . . The American Machine Tool Distributor's Assn.'s *AMTDA Sales Report* for April shows a 20.1% gain over March, bringing the index to 67.0. Metalcutting tool orders were up 19.3% for the month, and metalforming tool orders climbed 20.9%. □

Metalworking groups form coalition to battle unfair trade

CLEVELAND—The Metalworking Fair Trade Coalition has been formed "to seek and obtain Government recognition, cooperation and positive action designed to assure fair trade" in exports in the words of the coalition's executive committee chairman, Arthur Davidson.

[continued next page]

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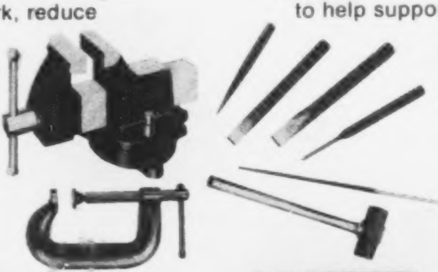

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Circle **16**

May sales inch downward

According to distributors polled around the country, May sales performance hit an all-time low in terms of comparison with the same month of a year ago. Inching down from already depressed levels, sales dipped to 11% below 1981 levels.

Few areas posted sales gains. Upstate New York and the South Atlantic Region were the only sections to chalk up real gains—12% and 4% respectively. Within the South Atlantic Region, collectively the states of South Carolina, Virginia and West Virginia, the area total climbed 2% to rise to 6% above previous-year totals.

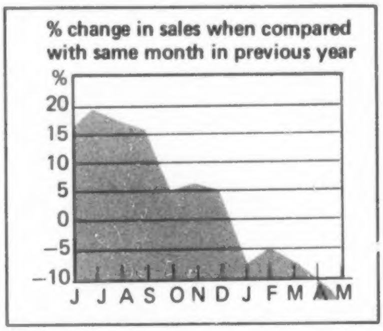
The biggest drops were recorded in depression-torn Michigan and Connecticut, each reporting 27% declines. Close on their heels was the West South Central with a 22% fall-off. Even Texas, normally regarded as recession-proof, saw a monthly slide of 17% compared to the previous year.

While still depressed, year-to-date totals fared slightly better than monthly performance. Sales here were off a comparatively slight 5%, and with, once again, few increases on regional bases. Also, the two biggest declines showed up in Michigan and Mountain states with drops of 27% and 19% respectively.

In contrast to distributor sales, the Dept. of Commerce's index of leading economic indicators rose 0.3% in May to 127.7% of the 1967 average, and the third consecutive monthly gain. Economists say that the recession is waning, but that recovery probably will be anemic for the rest of 1982. □

RECEIVABLES*	May 1982		May 1981	
	Gen.	Spec.	Gen.	Spec.
New England	43.9	46.3	40.9	40.8
Middle Atlantic	42.5	48.9	45.0	45.5
South Atlantic	35.7	36.1	35.6	36.7
East North Central	38.7	43.4	38.6	41.1
East South Central	36.3	46.3	46.3	47.3
West North Central	35.6	35.8	34.9	36.7
West South Central	51.0	50.5	37.0	39.6
Mountain	23.7	25.4	34.2	30.7
Pacific	37.7	43.2	37.2	42.4
National	38.3	41.8	38.9	40.1

*Average days outstanding


% change in sales when compared with same month in previous year

May sales reached new 1982 lows as regions post record declines . . .

SALES BY REGIONS (% change)	May '82 vs. April '82			May '82 vs. May '81			1st 5 mos. '82 vs. 1st 5 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−6	−13	−9	−16	−9	−13	−8	+6	−2
Connecticut	−9	−25	−14	−20	−40	−27	−10	−23	−14
Massachusetts	−9	−10	−10	−19	+1	−4	−8	+17	+5
MIDDLE ATLANTIC: NY, NJ, PA	−4	−14	−9	−4	−12	−8	0	+1	+1
New York Metropolitan Area	−5	−20	−14	−8	−20	−15	−5	−3	−4
Upstate New York	−3	−10	−6	+20	−1	+12	+23	+6	+17
Pennsylvania	−3	−10	−7	−13	−7	−10	−14	+3	−6
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+3	−6	−1	+11	−7	+4	+1	−4	−1
SC, VA, WV	+10	−14	0	+22	−15	+6	+6	−6	+1
Georgia-Florida	−7	−3	−5	−13	−4	−9	−14	−4	−9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−10	−2	−7	−16	−17	−16	−13	−10	−12
Indiana	−4	0	−4	−9	0	−9	−4	0	−4
Wisconsin	−12	−11	−12	−9	−20	−13	−6	−9	−7
Chicago	−19	+8	−6	−29	−8	−14	−21	+1	−10
Michigan	−18	+11	−11	−27	−27	−27	−27	−27	−27
Ohio	−9	+6	−3	−16	−14	−15	−13	−7	−11
EAST SOUTH CENTRAL: AL, MS, KY, TN	−23	−16	−19	0	−7	−4	−7	+4	0
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−26	−12	−18	−26	−6	−14	−9	−6	−7
WEST SOUTH CENTRAL: AK, LA, OK, TX	−6	−4	−5	−26	−17	−22	−13	+3	−7
Texas	0	−4	−4	0	−17	−17	0	+3	+3
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−2	+31	+20	−13	−12	−12	0	−28	−19
PACIFIC: CA, OR, WA	−8	−11	−9	−19	−14	−17	−7	−6	−7
L.A.-San Diego	−4	−7	−4	−12	−2	−9	−5	+16	+2
Oregon-Washington	−10	−13	−12	−22	−18	−20	−8	−13	−7
U.S. TOTALS	−7	−8	−7	−11	−12	−11	−6	−4	−5

Industrial Distribution

September 1982

Hotline:
Recession bites
deeper into travel
operations

C6185-2 9/13/82

The happy state of systems selling

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Contents

September, 1982
Vol. 72, No. 9/72nd year
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Industry News

3 NAW supports balanced-budget measure, fights pension move; Credit managers expect large increase in bankrupt filings; Company drops its hardware subsidiary to boost distribution; Conference Board regional look sees a continued flat economy; Changes; Porter-Cable products re-enter the market; Seminars; H.K. Porter moves division headquarters to Lynchburg, Va.; Indicators; Fair trade group doubles membership.

Cover Story

41 **The happy state of systems selling**
The potential of systems selling is great, particularly now when buyers are hungry for any system that will relieve them of much of the laborious, costly process of ordering and stocking—and inventory control.

Feature Articles

46 **Hotline/Recession bites deeper into travel, operations**

51 ***ID*'s quarterly inflation index**
With business static, inflation has dropped 50% from the first quarter of '82. For industrial product groups, the rate is down to nearly 3%.

55 **The Triple Industrial Supply Convention: 1982**
Citing the tough economy, the industry looked inward with a four-day program dealing with distributors' most corrosive problems.

62 **Strictly for Salesmen . . . Polite dividends**

66 **Supplement: 36th Annual Survey of Distributor Operations**
The complete survey appeared in July ***ID***. This supplement offers a second review and precise summary of this annual industry standard.

69 **How to sell . . . hose and fittings**

73 **Congress vs. Business: Who'll win the fight?**
Recession. High taxes. Federal budget deficits. To find out where Congress and the Administration stand, ***ID*** quizzed lobbyists on legislation.

76 **Capsule sales concept/Deals and defenses**

Marketing/Operations Ideas

79 Seminar meets need for specialists in every facet of the distribution industry; Encyclopedia explores fluid power industry; New books; NAW analyzes impact of *Economic Tax Act*; Free video cassettes on safety procedures; Film explores means of expanding space.

Departments

17 Reader Service Card
24 Distributor Dates
29 Washington Report
32 Readers Write
37 Regional Report
39 Like It or Not
90 We Were There
91 New Products
100 In Print
103 Reader Service Card
113 Appointments
118 Classified Advertising
119 Advertiser's Index
120 Talk of the Trade

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Industry News

NAW supports 'balanced-budget' measure, fights pension move

WASHINGTON—The National Assn. of Wholesaler-Distributors has secured what it describes as "first-hand assurances" from the Reagan Administration that it will oppose any legislation in Congress that, if passed, would result in direct tax increases on wholesaler-distributors. NAW also has announced its support of the so-called "balanced budget" amendment to the Constitution, as a "next step" in establishing discipline in the budget-writing process "necessary to discourage future deficit spending," says NAW president Dirk Van Dongen.

The support of the balanced-budget amendment by NAW is linked to the organization's support of the fiscal year '83 budget resolution passed last June by the House and Senate. That resolution provides for a Federal deficit of $103.9 billion in the fiscal year beginning October 1, total spending of about $770 billion, and approximately $20 billion in tax increases and $35 billion in further Federal spending cuts.

NAW is also fighting a bill sponsored by Rep. Charles Rangel (D-N.Y.), the *Pension Equity Tax Act* (H.R. 6410). The *Act*, if passed, would save the U.S. Treasury about $1 billion annually because corporate tax deductions on pensions would be limited. Because of its revenue-raising potential, Rangel's bill has found support in both Senate and House budget committees.

The *Act*'s provisions would reduce the maximum annual tax-deductible additions to defined contribution plans from $45,475 to $30,000; reduce maximum annual pensions under defined benefit plans from $136,425 to $90,000 by limiting those tax-deductible contributions; provide for actuarial reductions in pension benefits under defined benefit plans for employees who retire before age 65; eliminate cost-of-living adjustment factors for defined benefit and contribution plan benefits and contributions; reduce the allowable ratio of the separate plan limits in cases where employees benefit from both defined contribution and defined benefit plans from 1.4 (140%) to 1.0 (100%); and would treat loans from Keogh plans to company owners and key employees as distributions, while loans to other employees would be treated as ordinary income.

NAW urges that distributors write to members of the House Ways and Means Committee stating their disapproval of the Rangel bill. The address is (name of member), U.S. House of Representatives, Washington, D.C. 20515. □

Credit managers expect large increase in bankrupt filings

NEW YORK—A recent survey of credit managers by the National Assn. of Credit Management indicates that 83% of those responding expect an increase in bankruptcies in the second half of 1982. Those surveyed also indicated that one of the major problems in this regard is the ease and speed with which credit customers can now declare themselves bankrupt.

The credit managers surveyed, all of whom are NACM members, say that there is no direct way to prevent credit grantors' losses because the traditional warning signals of customer bankruptcy seem no longer to be valid. One respondent said that he now takes legal action against delinquent customers much sooner, in hopes of "beating them to the bankruptcy courts." Attempting to predict which customers will survive the next year or so is a growing problem, since customers who have been paying promptly and qualifying for cash discounts one day are filing under Chapter 11 the next, say the managers.

In general, the credit managers are turning to tighter credit policies, such as strict adherence to credit limits, the use of computers for daily follow-up of collections, more personal contact with customers, implementation of notes and liens, more frequent analysis of trade credit reports and financial statements, along with fast legal action against late-paying customers. □

Credit managers categorize their problems

	(percentage of respondents reporting)			
	Severe	**Moderate**	**Mild**	**No problem**
Falling sales	14	47	25	14
Customer failures	23	48	25	4
Excessive inventory	5	27	37	31
Inadequate sources of supply	0	5	19	76
Slow-paying customers	25	56	17	2
Interest rates	58	30	9	3
Need for automated records	1	13	21	65
Availability of trained personnel	1	13	19	67
Inadequate cash flow	18	33	23	26
Unauthorized discounts, deductions, chargebacks	9	27	38	26

Our credit policy is:	
More stringent	70%
Less stringent	0%
Same as always	30%

Our mood about the economy is:	
Optimistic	13%
Satisfied	6%
Concerned	69%
Worried	12%

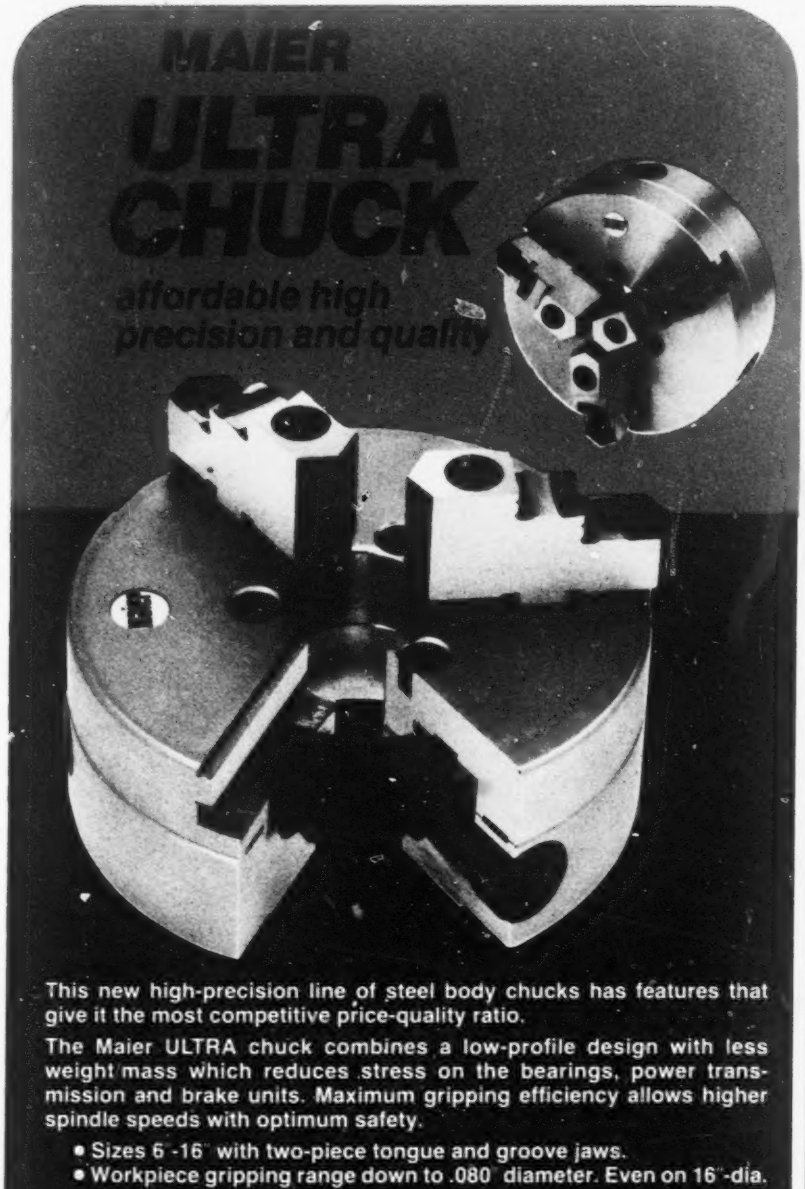
Source: National Assn. of Credit Management

Company drops its hardware subsidiary to boost distribution

NEW ORLEANS—Woodward, Wight & Co. has folded its Hardware Div. and mass-marketing operations so that "we can put all of our efforts and resources into the things we do best—industrial distribution and service," according to the firm's president, Gary Sweany.

The Hardware Div. was "a small percentage" of Woodward's $30-million volume, says an administrative assistant for the company, Cheryl Rose. She added that the closing had brought about the layoff of 17 hardware salesmen. Woodward's former mass-marketing operation wholesaled home consumer supplies to major department stores in the New Orleans area. With that program dead, "we are strictly an industrial distributor now," says Rose.

Woodward is a general-line house that sells mainly to construction companies, oilfield outfits and petroleum shippers. □



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Circle **14**

Indicators

The NIDA-SIDA *Industrial Distribution Index* fell slightly in June, dropping 2.2 points (1.8%), to 121.3, a substantial improvement over the May loss of 8.1%. Two of the nation's regions, the west and the south, posted slim gains in their indices for June. The west rose 1.6 points (1.0%), to 158.3; the south gained 0.7 points (0.5%), hitting 141.3. The east and midwest suffered losses. The eastern *Index* was off slightly, by 0.4 points (0.3%), falling to 125.5; the midwest saw a substantial loss of 5.3 points (5.1%), putting that *Index* at 99.4. With the *Index* based on 1977 monthly dollar sales volume, indications are that midwestern sales are now below those of five years ago, not ignoring inflation. The other bad news is that the national and all regional indices continue to run at levels substantially below those of a year ago. Since June 1981, the national *Index* has lost 19.6 points (13.9%), and this pattern repeats itself in the NIDA-SIDA regions. The east is down 21.7 points (14.7%); the midwest is off 25.9 points (20.7%); the south is behind last year by a relatively slight 5.7 points (3.9%); and the west is down by 18.1 points (10.3%). A NIDA/SIDA analysis of national and regional indices since January 1978 shows that the national June 1982 figure has not been as low as 121.3 since December 1978. The current eastern figure matches that of November 1978; the midwest's *Index* is now close to that of January 1978; the south and the west are doing substantially better, matching indices set in August and December 1980, respectively . . . The NIDA/SIDA *Industrial Supply Inflation Index* for June stood at 153.8, an insignificant gain of 0.1 point (0.07%), which on an annual basis equates to an inflation figure of 0.8%. That compares to year-ago figures which show a 6.7% hike in inflation since June 1981 . . . The ASMMA *New Order Index* for May shows a loss of 6.6 points (7.2%) from the month before, falling to 85.3, which in turn is 30.4 points (26.3%) below year-ago levels. Since this *Index* is, like NIDA/SIDA's, based on 1977 figures, new orders are now substantially off the pace set five years ago . . . The Federal Reserve Board's *Index of Production Manufactures* for May fell to 127.0, down 0.7 points (0.5%) from April . . . The U.S. Commerce Dept.'s index of 12 leading indicators rose 0.8 points (0.6%) in April . . . The National Wholesale Hardware Assn.'s *Hardware Sales Index* rose 7.0 points (7.5%), to 99.9, in May. This *Index* uses 1981 sales figures as its base. All seven NWHA regions reported sales gains for the month: the west, up 0.4 points (0.4%), to 101.7; the plains states, up 8.2 points (9.4%), to 95.9; the southwest, up 0.7 points (1.6%), to 98.9; the Great Lakes

[continued on page 21]

[continued from page 14]

states, up a whopping 31.1 points (34.9%), to 120.2 (giving that region the highest *Index* in the nation); the northeast, up 4.4 points (4.5%), to 102.9; the east central states, up 15.4 points (17.5%), to 103.2; and the southeast, up 2.6 points (2.9%), to 92.2. Year-ago comparisons show that against May 1981 indices the national *index* is off 0.1%; the west is up 1.7%; the plains states are down 4.1%; the southwest is off 1.1%; the Great Lakes states are up 20.2%; the northeast is up 2.9%; the east central states are up 3.2%; and the southeast is down 7.8% . . . The American Machine Tool Distributors' Assn. reports that its members underwent a 39.9% sales drop in May, a loss of 26.7 points that put the organization's monthly index at 40.3; the sharp decline in sales sent AMTDA's 12-month moving average index to 75.4, a loss of 4.7 points (5.9%). The May 1981 monthly index stood at 92.8, so the current figure represents a 52.5-point drop from the year-ago figure; the percentage loss is 56.6%. The index is based on the average monthly number of new orders between 1978 and 1980. AMTDA also says that orders for metalcutting machine tools were off 56.1% from a year ago, and orders for metalforming tools were down 59.7%. Index losses in each category for the month of May were 41.4% and 20.6%, respectively. Generally, orders for the first five months of this year are down 36.4% below 1981 figures . . . The Material Handling Institute says that April orders totaled $296.3 million and shipments amounted to $328.1 million. Cumulative orders for the first four months of 1982 are about $1.4 billion, down 19.0% from last year. Shipments, at $1.5 billion so far this year, are only 2.8% off the 1981 pace. □

Fair trade group doubles membership to 11 organizations

CLEVELAND—The Metalworking Fair Trade Coalition, an organization of trade associations in the metalworking industry determined to lobby against what it terms unfair trade practices followed by foreign competitors, has more than doubled in size since ***ID*** reported the coalition's formation last month. The Valve Manufacturers Assn., Washington, has become the 11th organization to join the coalition.

Last month, the five trade associations held coalition membership representing some 464,000 jobs in 16,240 manufacturing plants. Now the coalition's 11 members represent 20,940 plants, or 864,000 jobs; their aggregate sales amount to $53.3 billion annually. The coalition's eventual goal is to sign up the 16 trade groups still outside the coalition; this would give MFTC the backing of 27 units representing about one million jobs at 25,000 plants, with a total yearly sales volume of $75 billion.

MFTC's member organizations now include, in addition to the Valve Manufacturers Assn., the Alliance of Metalworking Industries; American Pipe Fittings Assn.; Cast Metals Federation; Forging Industry Assn.; Iron Castings Society; National Foundry Assn.; National Screw Machine Products Assn.; National Tooling & Machining Assn.; Non-Ferrous Founders Society, and Steel Founders Society.

The coalition will advocate that the Administration enforce existing laws against unfair foreign trade practices and support the correction of inadequate laws, and will lobby Congress for legislation against dumping, currency exchange rate manipulating, foreign subsidy, and other such trade practices. It will also boost the maximization of technology and efficiency by U.S. metalworking companies. Labor unions have been encouraged to lend as much support as they can muster to the coalition. □

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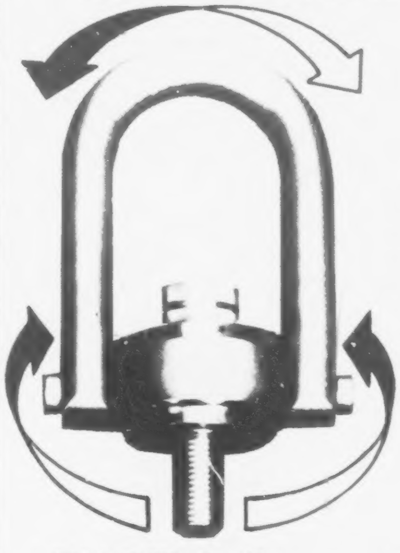

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Circle **20**

June sales tumble

While sales in June for industrial distributors nationwide showed some improvement when compared to May sales, they are disasters when compared with previous-year totals. With nationwide figures down 20% from 1981 levels, no one individual region witnessed an upturn.

Two of the biggest losses came from the Mountain States and, surprisingly, the West South Central. For the former, sales slumped by 37% when compared with June 1981. For the latter, 33%, no doubt reflecting previously inflated highs due to the rush for oil exploration. West North Central continued its decline with a 33% drop, and Pennsylvania with a 29% falloff.

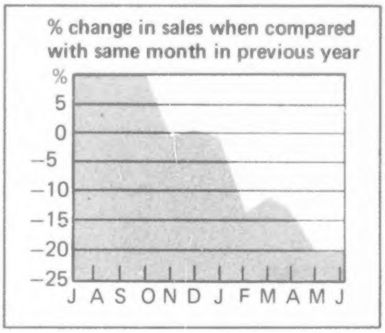
If June sales were grim, the year-to-date picture hardly looks much better. Nationwide, distributor sales have fallen 12% below 1981's already low level. Los Angeles/San Diego, Upstate New York and Pennsylvania specialists showed gains, however.

Distributor performance again paralleled key industrial indicators. New orders by manufacturers in June dropped to $307.72 billion, according to the Dept. of Commerce. This is the lowest level since mid-1980. Aluminum production drastically fell to 3.78 million tons in June, the lowest level since before 1979, according to the Aluminum Assn. While the Administration claims that the recession has bottomed out and that figures show a rise in the GNP, many economists insist that this element of growth stems only from swelling inventories and heavy defense spending.

RECEIVABLES*	June 1982		June 1981	
	Gen.	**Spec.**	**Gen.**	**Spec.**
New England	39.6	43.8	37.1	44.2
Middle Atlantic	40.2	44.5	41.7	45.8
South Atlantic	36.4	37.1	32.3	37.2
East North Central	35.6	41.5	39.2	40.6
East South Central	34.0	46.0	37.1	43.5
West North Central	36.7	38.7	33.8	37.1
West South Central	40.9	43.9	38.7	41.0
Mountain	28.2	29.3	37.5	32.1
Pacific	37.5	42.5	37.5	41.1
National	36.6	40.8	37.2	40.3

*Average days outstanding

% change in sales when compared with same month in previous year



Sales in June fell to their lowest level in years as the recession continues . . .

SALES BY REGIONS (% change)	June '82 vs. May '82			June '82 vs. June '81			1st 6 mos. 82 vs. 6 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+15	−2	+11	−10	−30	−14	−7	−19	−10
Connecticut	+20	−18	+7	−16	−35	−22	−12	−26	−17
Massachusetts	+3	+7	+4	−20	−22	−20	−9	−8	−9
MIDDLE ATLANTIC: NY, NJ, PA	+5	+2	+3	−19	−21	−20	−8	−13	−11
New York Metropolitan Area	+14	−4	+3	+8	−32	−23	−3	−28	−19
Upstate New York	0	+6	+2	−13	−12	−13	−3	+3	−1
Pennsylvania	+2	+8	+5	−47	−8	−29	−18	+1	−10
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+8	+7	+8	−7	+2	−4	−7	−7	−7
SC, VA, WV	+3	+10	+7	−8	+5	−2	−8	−8	−8
Georgia-Florida	+11	−1	+9	−7	−9	−7	−7	−4	−6
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+7	+4	+6	−20	−15	−18	−23	−18	−21
Indiana	−3	−22	−13	−7	−30	−18	−4	−29	−17
Wisconsin	+4	+10	+6	−13	−26	−19	−6	−12	−8
Chicago	+6	+3	+5	−28	−17	−23	−25	−17	−21
Michigan	+3	+22	+10	−40	+10	−20	−35	−25	−31
Ohio	+16	−5	+9	−13	−20	−15	−30	−10	−23
EAST SOUTH CENTRAL: AL, MS, KY, TN	+4	−4	0	−9	−12	−11	−2	−7	−5
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−35	−1	−15	−50	−21	−33	−20	−5	−11
WEST SOUTH CENTRAL: AK, LA, OK, TX	−13	+20	+1	−45	−20	−33	−22	−2	−14
Texas	−18	+20	+1	−38	−20	−29	−5	−2	−4
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	0	−29	−10	−30	−41	−37	−8	−32	−24
PACIFIC: CA, OR, WA	+6	−4	+2	−22	−11	−17	−14	−8	−11
L.A.-San Diego	+2	+10	+6	−8	−1	−5	−5	+4	0
Oregon-Washington	+8	−18	−2	−30	−20	−26	−20	−19	−20
U.S. TOTALS	+5	+1	+3	−20	−19	−20	−13	−11	−12

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Circle **37**

With business static, the inflation rate has dropped 50% from the first quarter of '82

ID's quarterly inflation index

By **Alan Silver**
Alan Silver & Associates, Inc.
Highland Park, N.J.

As Table 1 shows (see Column 2) the current annual inflation rate for industrial product groups handled by ***ID*** readers, based on the second quarter of 1982, is down to nearly 3%. This is about half the annual rate based on the first quarter, a third of the annual rate for 1981, and a fourth of the annual rate for 1980.

For the first quarter of 1982 the *NIDA/SIDA Index* of 10 commodity groups was at an annual rate of 8.2%, hardly less than the annual for 1981. The *Silver/ID 32-group Index* for the same period was only 4.0%. Note that for the second quarter these two indexes are much closer—3.2% for NIDA/SIDA and 2.8% for Silver/ID. For the first six months of 1982 the two stand at 6.2% and 3.6% respectively. Based on these trends, we predict that the annual inflation rate for industrial distributors by the end of 1982, as reflected by the Bureau of Labor Statistics, will range from 2-4%.

Table 2 covers inflation data for each of the 32 commodity groups in the Silver/ID index. The 10 groups with an asterisk are those making up the NIDA/SIDA index. □

Table 1—Comparing inflation indexes

(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	*BLS inflation rates (%)			
	Current qtr 6/82 vs 3/82 annualized	Year-to-date 6/82 vs 12/81 annualized	12/81 vs 12/80	12/80 vs 12/79
Silver/*ID* index of 32 industrial product groups	2.8%	3.6%	8.9%	11.1%
NIDA/SIDA index of 10 industrial product groups	3.2%	6.2%	9.4%	11.0%
**PPI index of industrial commodities	−0.4%	0.4%	8.4%	13.2%
Avg. of above indexes	1.9%	3.4%	8.9%	11.8%
PPI index of finished goods (indl/agric)	4.4%	3.4%	7.0%	12.9%
Silver/Wholesaler index of 19 lines (plmgb/htng)	4.8%	5.2%	6.0%	9.3%
Electrical Marketing index of 24 product groups	NA	NA	6.7%	10.3%
***NAED inflation index: 16 product groups	1.4%	4.2%	7.9%	11.3%
Consumer Price Index	10.4%	6.4%	8.9%	12.4%

*Bureau of Labor Statistics
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Subsequent inflation index reports will follow the above format.

Table 2—ID quarterly inflation index for industrial distributors (1967 = 100)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
Product category	**Current qtr 6/82**	**Previous qtr 3/82**	**% inflation**	**Current qtr annualized %**	**Year-to-date 6/82 vs 12/81 annualized %**	**4th qtr 81**	**4th qtr 80**	**Annual inflation 81 %**
Industrial oil	364.2	362.4	0.5	2.0	2.4	359.8	327.2	10.0
Prepared paint	265.1	259.3	2.2	8.8	6.6	256.7	241.7	6.2
*Rubber belts & belting	330.5	333.1	-0.8	-3.2	11.6	312.3	271.3	15.1
Other misc. rubber products	293.9	283.5	3.7	14.8	11.8	277.6	236.4	17.4
Plastic construction products	148.6	149.8	-0.8	-3.2	-6.2	153.4	153.7	-0.2
Finished steel products	348.6	349.2	-0.2	-0.8	0.6	347.5	311.4	11.6
Wire & cable	204.4	206.6	-1.1	-4.4	-2.2	206.7	214.0	-3.4
Copper wire & cable	196.9	199.0	-1.1	-4.4	-2.0	198.9	207.6	-4.2
Aluminum wire & cable	236.9	239.2	-1.0	-4.0	-3.4	240.9	234.0	2.9
Builders hardware	271.6	271.6	0.0	0.0	4.2	266.1	242.7	9.6
*Hand tools	337.0	328.6	2.6	10.4	8.4	323.3	291.8	10.8
*Misc. metal products	289.5	284.6	1.7	6.8	5.8	281.4	258.4	8.9
Industrial safety eq.	129.9	129.2	0.5	2.0	7.6	125.1	117.9	6.1
*Bolts, nuts, screws & rivets (fasteners)	273.6	271.9	0.6	2.4	3.2	269.3	251.0	7.3
*Power-driven hand tools	221.7	219.0	1.2	4.8	6.6	214.7	199.0	7.9
Welding machines & eq.	267.4	265.3	0.8	3.2	-2.0	270.0	249.1	8.4
*Cutting tools & accessories	273.0	270.2	1.0	4.0	6.8	263.9	240.6	9.7
Precision measuring tools	238.6	235.3	1.4	5.6	4.8	233.1	214.3	8.8
*Abrasive products	298.1	294.9	1.1	4.4	8.6	285.7	261.5	9.3
Metal cutting machine tools	370.2	365.6	1.3	5.2	6.2	359.1	330.6	8.6
Metal forming machine tools	400.9	398.0	0.7	2.8	6.0	389.2	363.2	7.2
Pumps, compressors & eq.	347.3	346.0	0.4	1.6	5.2	338.4	304.7	11.1
Fluid power eq.	242.9	240.4	1.0	4.0	7.6	234.0	211.3	10.7
*Industrial material handling eq.	286.9	288.4	-0.5	-2.0	1.6	284.6	261.7	8.8
*Mechanical power transmission eq.	312.1	311.8	-0.1	-0.4	3.6	306.6	279.4	9.7
*Valves & fittings	321.6	320.0	0.5	2.0	3.2	316.5	296.5	6.7
Ball & roller bearings	334.0	322.1	3.7	14.8	7.8	321.6	279.0	15.3
Plain bearings	274.1	271.6	0.9	3.6	1.8	271.6	271.5	0.0
Wiring devices	322.7	322.9	-0.1	-0.4	2.4	318.9	277.3	15.0
Electrical instruments	258.3	257.2	0.4	1.6	5.8	251.1	210.8	19.1
Electric motors	288.0	287.0	0.3	1.2	2.8	284.1	255.5	11.2
Generators & generator sets	340.9	339.7	0.4	1.6	2.4	336.8	311.2	8.2
NIDA/SIDA composite	294.3	292.1	0.8	3.2	6.2	285.5	260.9	9.4
Silver/ID composite	283.1	281.0	0.7	2.8	3.6	278.1	255.1	9.0

*Included in NIDA/SIDA composite

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Industrial Distribution

October 1982

CG185-2

Hotline:
Proposed Treasury regulation draws fire from distributors

What makes them buy?

Industrial Distribution

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Contents

October, 1982
Vol. 72, No. 10/72nd year
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Industry News

6 Economic outlook continues bleak as the recession keeps rolling on; Sales help from reps and manufacturers criticized in poll; PTDA convention will focus on involvement of members in politics; SBA presses small business to enter the PASS data bank; Changes; Fastener group meet to show attendees how to cope with recession; Indicators.

Cover Story

43 **What makes them buy?**
Very little mystery surrounds the reasons purchasing decision-makers decide to buy from a particular source. The standards are well-established: price, availability, quality or brand name, and a half dozen more.

Feature Articles

51 **Hotline/Proposed Treasury regulation draws fire from distributors**

53 **At Acme Industrial Supply . . . It's hard sell with a difference**
The term hard sell takes on a new meaning in this progressive firm where everyone is mandated to a commitment to solving customer problems.

57 **How to Sell . . . Belting**

60 **Strictly for Salesmen . . . Breakfast of Champions**

63 **Computer Update**

67 **State of the industry . . . Power Transmission: 1982**
ID's annual survey of PT distributors across the lower 48 states didn't unearth any surprises except some notes of strength and optimism.

73 **A management plan for the '80s**
Businessmen see "productivity" in a dozen different ways, but it's agreed that its main power source is PEOPLE. So priming and motivating them is your biggest challenge.

77 **Capsule sales concept/Slaying sales myths**

Marketing/Operations Ideas

78 Distributor markets forecasted to 1990; Free booklet probes valve industry status; Do's and don'ts of audiovisual aids; Wire safety units guard employees and equipment; System offers custom labels at a low price; Directory ranks public and private companies; Power Tool Institute catalogs safety aids; SME publishes three technical collections; Directory lists data processing articles; Sample business forms provided in handbooks; Free newsletter focuses on product maintenance.

Departments

17 Reader Service Card
31 Washington Report
35 Distributor Dates
37 Readers Write
39 Like It or Not
40 Regional Report
86 We Were There
91 New Products
107 Reader Service Card
111 In Print
119 Appointments
122 Classified Advertising
123 Advertiser's Index
124 Talk of the Trade

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Regional Report

July sales extend the slump

Distributors took another beating in July as sales, when compared to those of the same month last year, slipped a dramatic 25% nationwide. Some of the losses were truly astounding: Mountain Region off 46%, West South Central down 37%, Chicago and Michigan both down by 35%. Inexplicably, Indiana posted an increase of 4%—the only region to turn upward.

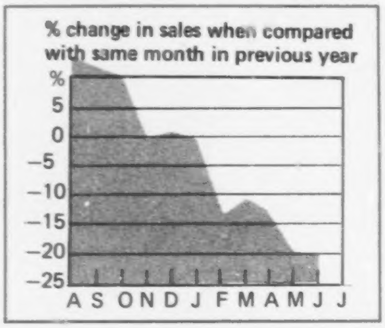
Although July appears to be the record-holder as a sales disaster, there is good news concealed by this first impression of gloom and doom. Year-to-date sales, by far the better indicator of the health of the industry and the economy in general, gained substantially over the first seven months of 1981. Sales for general liners nationwide were up 13%; specialists, 11%.

Mixed in with this generally optimistic news were stories of some real blockbuster totals. The Mountain Region, climbing form its depressed state, is now 37% ahead of where sales stood a year ago. The West South Central saw an increase of 32%. For the rest of the nation, double-digit increases were not uncommon.

Activity of this sort appears to augur that the worst of the recession is over. Both the Administration and the Dept. of Commerce agree. Commerce's index of leading economic indicators rose in July to 129.8% of the 1967 average, up from 128.1% in June. This is the fourth consecutive monthly gain. A 2% increase in factory orders for the same period lends credence to the claim that the worst of the economy is behind us. □

RECEIVABLES*	July 1982		July 1981	
	Gen.	Spec.	Gen.	Spec.
New England	41.5	48.1	40.6	43.7
Middle Atlantic	41.4	47.7	45.1	48.2
South Atlantic	38.9	35.3	34.1	32.9
East North Central	39.1	44.1	39.0	41.5
East South Central	38.7	55.7	42.8	53.7
West North Central	24.1	36.7	37.9	35.4
West South Central	55.8	46.2	46.1	44.1
Mountain	23.4	26.3	31.5	15.5
Pacific	40.6	39.9	41.5	38.6
National	38.2	42.7	39.8	40.0

*Average days outstanding



Although sales hit their lowest level in years, the worst may be over ...

SALES BY REGIONS (% change)	July '82 vs. June '82			July '82 vs. July '81			1st 7 mos. '82 vs. 1st 7 mos. '81		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−28	−12	−22	−19	−5	−14	−2	−5	−3
Connecticut	−31	+25	−12	−18	−32	−23	−10	+37	+6
Massachusetts	−12	−15	−14	−19	+1	−9	+17	−10	+4
MIDDLE ATLANTIC: NY, NJ, PA	−16	−9	−12	−23	−19	−21	+7	+5	+6
New York Metropolitan Area	−19	−13	−15	−7	−28	−20	−21	+8	−3
Upstate New York	−8	−14	−11	−21	−24	−23	+4	+2	+3
Pennsylvania	−18	−2	−10	−39	−2	−21	+21	+3	+12
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−24	−7	−16	−25	−13	−20	+1	+7	+4
SC, VA, WV	−26	−11	−20	−26	−26	−26	−1	+12	+5
Georgia-Florida	−11	−5	−8	−17	−5	−11	+12	+4	+8
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−11	−7	−9	−25	−25	−25	+15	+11	+13
Indiana	−11	+34	+12	−22	+30	+4	+8	+28	+18
Wisconsin	−13	−29	−18	−25	−38	−29	+10	+17	+12
Chicago	0	−10	−10	0	−34	−34	0	+18	+18
Michigan	−11	−17	−13	−34	−35	−34	+33	−1	+22
Ohio	−12	−5	−10	−17	−29	−20	+8	−8	+4
EAST SOUTH CENTRAL: AL, MS, KY, TN	−17	−21	−18	−33	−29	−32	+7	+9	+8
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−10	−5	−8	−41	−30	−36	+18	+10	+14
WEST SOUTH CENTRAL: AK, LA, OK, TX	−11	−18	−13	−38	−34	−37	+27	+43	+32
Texas	−23	+24	−24	−44	−29	−37	+15	+4	+10
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−18	+20	+1	−37	−54	−46	+16	+58	+37
PACIFIC: CA, OR, WA	−8	−12	−10	−24	−12	−19	+26	+3	+17
L.A.-San Diego	+9	−33	−5	+3	−18	−4	−13	−7	−11
Oregon-Washington	−9	−4	−7	−27	−10	−20	+30	+6	+20
U.S. TOTALS	−15	−8	−12	−27	−22	−25	+13	+11	+12

Industry News

Economic outlook continues bleak as the recession keeps rolling on

New York—The economy continues to just sit there and do nothing.

While a number of recent surveys have found that American manufacturers and distributors feel that things won't be getting any worse, no one has been able to put a finger on—or near—when the recovery will begin.

The National Assn. of Purchasing Management's *Report on Business* for July and August says that the American economy "continued to deteriorate" during the summer, although NAPM's August figures seem to show some leveling of the rate of decline. However, what is perhaps the most important component of NAPM's survey, its roundup of incoming new orders, has been losing ground for more than a year. The new-order indicator has what NAPM calls "a domino effect" on other indicators, such as employment, production levels and delivery times.

The Mid-Year Business Forecast by *Construction Equipment Distribution*, a publication of Associated Equipment Distributors, states flatly that "chances for a recovery during the second half of 1982 now appear slim." The *Forecast* itself is headlined, "Equipment Industry Awaits Upturn in the Economy ... and Waits ... and Waits ... and Waits."

The *CED* survey tends to blame high interest rates—16% to 16½% at the time of the poll—for the continuing lackluster performance of the economy. More than 75% of the respondents said that their new-equipment sales for the first six months of this year were flat or declining. Faring the worst were the midwest, southeast, and Rocky Mountain states. Distributors and manufacturers in those regions said simply that they were "holding on for anticipated growth in 1983 and beyond." They have pretty much dismissed the current year.

CED says that distributors and manufacturers from Ohio, Kentucky and the mid-Atlantic states did the best in its survey. Companies in these areas appeared more often in *CED*'s list of top performers, and some even did better in their year-to-date 1982 sales than they did in 1981. These firms, rowing against the economic tides, are trimming construction equipment inventories, controlling overhead expenses, seeking new markets and new uses for equipment, and emphasizing their service capabilities.

The picture painted by NAPM is bleaker. The *Report* finds that while half of those purchasing managers surveyed said their facilities were to close during the summer as planned, 36% of those closedowns were to be longer than usual this year. In 1981, that number was 6%; it was 7% in 1980. In other years, NAPM says, summer hires have had "a positive effect" on employment figures in good economic times; this summer, employment statistics saw further declines.

CED finds that 55% of the distribution and manufacturer executives in its own survey felt that the economy had hit bottom already, but that there was no consensus on when a recovery will begin. Some 27% still

[continued on page 8]

How construction machinery distributors and manufacturers see the current recession

(500 respondents reporting)

By the end of 1982:	
Business will get worse	**18%**
Business will start to recover	**27%**
Business has already hit bottom, but won't have begun to recover	**55%**
Compared to current levels, interest rates for the rest of the year will be:	
Much higher and erratic	**1%**
Somewhat higher and erratic	**9%**
About the same	**49%**
Somewhat lower and more stable	**38%**
Much lower and more stable	**1%**
As for the President's economic program, he should:	
Stay with it	**47%**
Give it more time, but be ready with an alternative	**49%**
Abandon it	**4%**
We expect that our 1982 before-tax net profit compared to last year's will be:	
Better	**26%**
Worse	**52%**
The same	**22%**

Source: *Construction Equipment Distribution*

Acquisitions of distributors down first half of year

Chicago—Acquisition activity in wholesaling and distribution slowed in the first half of this year, reflecting the recession, according to the financial analysis firm of Duff & Phelps, Inc. Completed transactions fell from 36 in the first quarter to 28 in the second, although the average transaction this year has been worth $23.2 million, up 74% over the 1981 average.

Acquisitors are paying a price-to-earnings ratio of 10.5:1 for distribution companies. While this is slightly better than last year's average P/E of 9.9:1, it is still considerably less than the average for all U.S. acquisitions. These carry an average P/E of 12.9:1. The average premium paid over net worth for distribution companies has been 128% this year, vs. 132% in 1981. □

held hope that the upturn will come before the end of the year, while a more pessimistic 20% or so said that things will get even worse. About 90% of those surveyed saw no "immediate or drastic drop" in interest rates.

In judging industry pessimism, *CED* says, "The reason behind this outlook is that equipment distributors and manufacturers are increasingly powerless to overcome the high interest rates characterizing the longest and severest recession the industry has witnessed in the past 40 years."

As an example, *CED* finds that "typical" new-equipment sales declines ranged from zero to 30%; the inclusion of losses due to inflation worsens those losses by another 10% or 11%. Other findings indicate that 70% of *CED*'s respondents expected losses or no change in their rental volume this year; the average loss is expected to be 10%. Some 65% thought that parts sales will decline or show no change in 1982, with an average loss of 7%. Used-equipment sales fare no better in the survey: More than 70% of respondents felt sales will drop or remain flat, with losses per company averaging 10%. About 68% saw losses or flat performance in service volume; 5% losses were expected. As for sales of supplies, nearly 80% saw declines or no change here, with performance in 1982 flat compared to the year before.

NAPM says that the *Purchasing Managers' Composite Index* has been bobbing up and down around 40.0 all summer; a reading of below 50.0 indicates that the economy is in a state of decline. The *Index* adjusts and combines five NAPM sectors—new orders, production, employment, vendor performance and inventories—into a single, comprehensible monthly number.

However, amid all the bad news, there is some potentially good news. First, NAPM reports that there has been a "significant" decline in customers' inventory levels during this recession, indicating that when demand re-enters the marketplace, growth will be large and steady. Second, whatever else the recession may be doing, it has probably beaten inflation into the ground. Prices of important commodities have fallen, and those which had been in short supply in recent years—castings and caustic soda in particular—are now readily available. The price fluctuations which are occurring are "very small" ones from month to month, implying some steadiness in the marketplace. □

1981 Distributor Performance Analysis Report from The Specialty Tools & Fasteners Distributors Assn.

Percent of Sales Increase

High	55.0%	**Highest 10% average**	38.6%	**1981 average**	5.3%
Low	15.8% loss	**Lowest 10% average**	11.2% loss	**1980 average**	5.6%
Median	11.0%			**1979 average**	21.9%

Average 1981 sales volume	$3,159,986
Median 1981 sales volume	$2,218,492
Highest 1981 reporting volume	$12,913,362
Lowest 1981 reporting volume	$185,000

Percent of Gross Profit on Net Sales

High	55.2%	**Highest 10% average**	48.9%	**1981 average**	37.00%
Low	17.4%	**Lowest 10% average**	22.9%	**1980 average**	33.98%
Median	33.0%			**1979 average**	33.05%

Dollar Sales per Employee **(number of employees in parentheses)**

High	$263,722 (99)	**Highest 10% average**	$222,604 (66)	**1981 average**	$122,099
Low	$32,999 (3)	**Lowest 10% average**	$63,964 (4)	**1980 average**	$118,876
Median	$135,117 (18)			**1979 average**	$114,163

Average number of employees in 1981: 26

Dollars of Gross Profit per Employee

High	$78,054	**Highest 10% average**	$74,944	**1981 average**	$46,375
Low	$25,250	**Lowest 10% average**	$28,373	**1980 average**	$41,141
Median	$45,149			**1979 average**	$38,241

Percentage of Net Profit to Net Sales

Before taxes

High	14.7%	**Highest 10% average**	10.3%	**1981 average**	4.37%
Low	3.5% loss	**Lowest 10% average**	2.3% loss	**1980 average**	4.99%
Median	4.4%			**1979 average**	6.05%

After taxes

High	6.3%	**Highest 10% average**	5.4%	**1981 average**	2.70%
Low	3.5% loss	**Lowest 10% average**	2.3% loss	**1980 average**	3.17%
Median	2.9%			**1979 average**	3.64%

Inventory Turnover on Net Sales **(in number of turns)**

High	10.00	**Highest 10% average**	7.77	**1981 average**	4.38
Low	1.80	**Lowest 10% average**	2.16	**1980 average**	4.04
Median	3.88			**1979 average**	3.95

Rate of Return on Investment after Taxes

High	62.0%	**Highest 10% average**	45.0%	**1981 average**	18.24%
Low	7.3 loss	**Lowest 10% average**	5.0% loss	**1980 average**	17.86%
Median	14.3%			**1979 average**	29.10%

Ratio of Current Assets to Current Liabilities

High	9.05:1	**Highest 10% average**	6.52:1	**1981 average**	2.57:1
Low	1.22:1	**Lowest 10% average**	1.27:1	**1980 average**	1.83:1
Median	2.40:1			**1979 average**	2.13:1

Percentage of Bad Debt Write-Off

High	1.60%	**Highest 10% average**	1.300%	**1981 average**	0.61%
Low	0.00%	**Lowest 10% average**	0.005%	**1980 average**	0.48%
Median	0.35%			**1979 average**	0.61%

Change in Inventory Level

High	Up 125%	**Highest 10% average**	Up 52.7%	**1981 average**	Up 13.94%
Low	Down 27.7%	**Lowest 10% average**	Down 20.1%	**1980 average**	Up 20.57%
Median	Up 9.8%			**1979 average**	Up 26.30%

Days Outstanding for Accounts Receivable **(in number of days)**

High	70	**Highest 10% average**	61	**1981 average**	40
Low	22	**Lowest 10% average**	26	**1980 average**	43
Median	41			**1979 average**	47

Source: Specialty Tools & Fasteness Distributors Assn.

Sales and profits up last year, says STAFDA's survey

ELM GROVE, WIS.—Tool and fastener distributors saw their net sales and gross prof-

Sublands

MADE IN BROOKFIELD, WIS.

Our new ultra-modern facility is now in full production in the heartland of America. We have the newest and best drill manufacturing equipment which includes the latest high speed automatic flute grinders using computer controlled profiling techniques. Backed by the finest possible electronic/optical inspection systems developed for the purpose.

OVER 2500 STANDARD VARIATIONS

We have always invested heavily on inventory and more inventory. Our Philosophy is the same with subland blanks. We have them in stock in depth. But more importantly, they are precision ground to higher than standard tolerances.

RANGE

Standard styles include:
N/C stub length, Jobbers length, taper length, taper shanks, special lengths.

Diameters from 5/32" to 3/4".

Construction:
Subland drills, step drills and subland drill reamers. (2-2), (2-2-2), (2-4), (2-6), (2-8).

Tangs: ANSI tangs are furnished as standard on all drills.

DISTRIBUTORS

Now is the time to try our step and subland drills. Compare them in price, quality, and delivery with those you may be selling already. If you as a distributor are not familiar with us, why not contact us today. Then you too will be in a position to give an unhesitating answer to the question **"Who offers more?"**

GUHRING

1445 Commerce Ave.
Brookfield, WI 53005
414/784-6730

Circle **10**

[continued from page 10]

"that what a distributor does in sales training is a pale imitation of what manufacturers have provided. A significant minority does little at all. It would seem that the distributor is either unable or unwilling to make up the deficiencies of his suppliers. So the manufacturer who opts to invest in a full-scale training effort will be doing a service for his distributors—and will earn the advantages which accrue to a product which is better known than its competitors'."

MM's survey notes that 30.6% of the distributors surveyed provide very little, if any, help to their own sales staffs.

MM also suggests that manufacturers attend sales meetings for distributors run by the rep—not as participants but as observers. "The gaps in the rep's knowledge will become apparent," says *MM*. "If the flaw is the manufacturer's, he knows he has to educate all of his reps. If the flaw is the rep's, some retraining is needed. And the payoff is not just better sales meetings for distributors—the rep is better qualified for his OEM calls." ◻

Distributors speak out on sales training practices

What sort of sales training assistance, not now provided by most, would you like to receive—

From manufacturers?

• Market trend analyses, what to sell to whom, competition, prospect profile, prospect list	66.7%
• Product features, applications	41.7%
• Video tapes	41.7%
• Hands-on lab sessions	13.9%

From reps?

• How to sell product, discussion of specific prospects, sales leads joint sales calls, referrals	50.0%
• None, negative comments	33.3%
• More competent speakers, better prepared	22.2%

What kind of sales training material and/or activities do you prepare and provide on your own to your staff?

• Sales meeting	33.3%
• Product training, demonstrations, lab sessions	33.3%
• None, very little	30.6%
• Sales guides, manuals, bulletins	25.0%
• Roleplaying	11.1%
• Video tapes	11.1%
• Comparison, cross-reference charts	11.1%
• Other	13.9%

What sort of assistance in training your sales staff do you receive—

From manufacturers?

• None, very little	41.1%
• Sales meetings	41.7%
• Sales bulletins	27.8%
• Joint sales calls	22.2%
• Sales guides	19.4%
• Seminars, demonstrations	13.9%
• Video tapes	11.1%
• Plant visits, schools	8.3%
• Other	8.3%

From reps?

• None, very little	41.7%
• Sales meetings	38.9%
• Joint sales calls	33.3%
• Seminars, demonstrations	13.9%
• Sales bulletins	8.3%
• Other	8.3%

Source: *Mainly Marketing*

High Producers Rely on
SPIRAL STEP TOOL
. . . the cutting tool people

Cutting tool customers are depending more and more on their distributors to supply their needs. You can rely on Spiral Step Tool for quality cutting tools that provide long-life service and precision performance.

Spiral Step Tool offers a full line of solid carbide standard cutting tools as well as a wide selection of special cutting tools.

Spiral Step Tool supports its distributors through high-frequency trade publication advertising, excellent sales brochures, plus competitive pricing and factory technical services.

A few choice territories are now available to qualified distributors. We invite your inquiry.

SPIRAL STEP TOOL COMPANY
299 Bond Street, Elk Grove Village, IL 60007
(312) 593-5500 • Telex 28-0560

Circle **12**

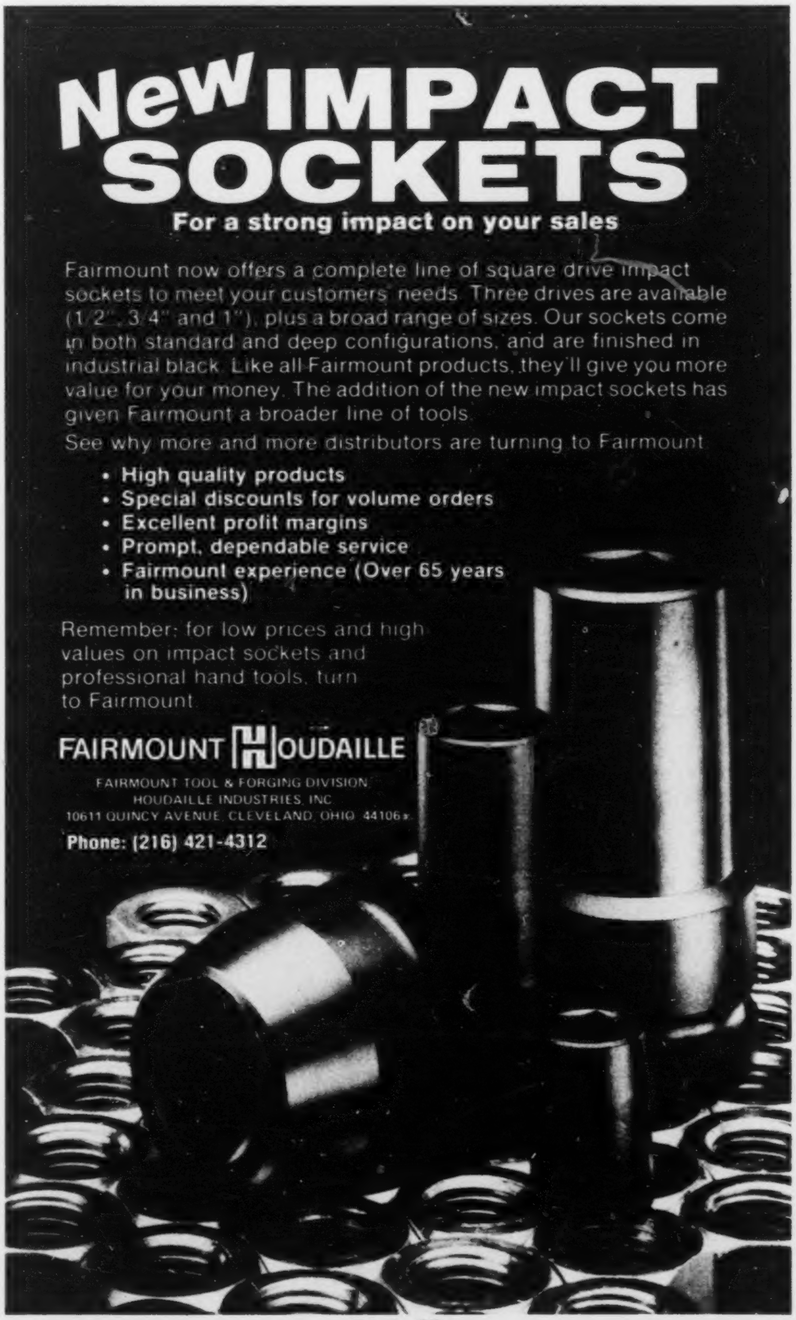
NFDA past presidents and past associate officers in a dialog with members. This will be followed by the convention's formal ending, an address by writer-consultant George Webster on *Time for New Strategies*. Saturday afternoon and evening will have optional workshops, golf, tennis, and a farewell reception. Departure from Newport Beach has been set for Sunday.

NFDA says that GTU Domestic, a travel agency, has guaranteed members the lowest airfare possible to Newport Beach; call (800) 424-5468. The agency has also arranged for 10% discounts for members at Hertz Rent-A-Car, which maintains a pickup and drop-off office in the Marriott lobby.

To top it all off, there will be a drawing at the Saturday reception to see which lucky couple will be awarded a registration refund, free room accommodations for the duration of the convention, and a $500 travel allowance—in all, a prize worth $1950. Winners must be present. □

Indicators

What looks more and more like a long-term easing of inflation continued to be the best news of the summer in July. The *NIDA-SIDA Industrial Supply Inflation Index* rose an almost insignificant 0.13% during the month, equating to an annual inflation rate of 1.57%. The flip side: Although the July annualized rate is low, it is almost double that of the June figure (0.78%). Further, the *Index* now stands at 154.0, meaning that what $1 bought in 1977 cost $1.54 in July. Inflation has risen 5.62% since July 1981, according to the *Index* ... The news continues bleak regarding the *NIDA-SIDA Industrial Distribution Index*, which fell 1.3 points (1.07%) in July, to 120.0, having dropped 19.68% below the year-ago mark of 149.4. The regional picture was mixed: The east was down 3.5 points (2.79%), to 122.0; the midwest was up 1.7 points (1.71%), to 101.1; the west was up 1.2 points (0.76%), to 159.5; and the south was off 8.9 points (6.30%), to 132.4. All regions are still running appreciably behind their year-ago figures: The south is down 20.2 points (13.24%); the west is off 21.0 (11.63%); the midwest is down 34.6 points (25.50%), and the eastern *Index* has also lost 34.6 points (22.09%) in the past year ... The *ASMMA New Order Index*, which has been riding below the 100 mark since the spring, fell again in June by 0.7 points (0.82%), to 84.6. A year ago, the *Index* stood at 115.7, which means that since June 1981, this indicator has slid 31.1 points, or 26.88% ... The *SIDA Monthly Sales Trend Report* for June shows sales up 0.87% from the month before, although they're still riding 17.12% below year-ago levels. Year-to-date sales are so far running 7.45% behind last year's. The better news is that it's becoming easier to collect due bills. *Index* participants report that the average number of collection days fell 2.80% in June, to 43, which is 13.88% better than a year ago and 3.97% better than the 1981 year-to-date figure. Also, inventory investments were reported down 2.56% for the month, 6.20% below last year's pace, but 4.25% above the mark set by the June 1981 year-to-date figure ... The National Wholesale Hardware Assn.'s *Hardware Sales Index* was down 1.8 points (1.80%), to 98.1, in June. The *Index*'s seven regions showed more minuses than pluses for the month: the west, down 1.0 points (0.98%), to 100.7; the plains states, up 1.0 points (1.04%), to 96.9; the southwest, off 0.5 points (0.51%), to 98.4; the Great Lakes, down a whopping 21.9 points (18.22%), to 98.3; the northeast, down 2.5 points (2.43%), to 100.4; the east central, down 16.3 points (15.79%), to 86.9; and the southeast, up 5.4 points (5.86%), to 97.6. Since NWHA reorganized its *Index* earlier this year, year-ago levels have been set at 100.0 for all regions. □



New IMPACT SOCKETS

For a strong impact on your sales

Fairmount now offers a complete line of square drive impact sockets to meet your customers' needs. Three drives are available (1/2", 3/4" and 1"), plus a broad range of sizes. Our sockets come in both standard and deep configurations, and are finished in industrial black. Like all Fairmount products, they'll give you more value for your money. The addition of the new impact sockets has given Fairmount a broader line of tools.

See why more and more distributors are turning to Fairmount.

- **High quality products**
- **Special discounts for volume orders**
- **Excellent profit margins**
- **Prompt, dependable service**
- **Fairmount experience (Over 65 years in business)**

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Circle **25**